

CITY OF OLEAN, NEW YORK

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE
FISCAL YEAR ENDED MAY 31, 2019
WITH INDEPENDENT AUDITOR'S REPORT**

CITY OF OLEAN, NEW YORK

MAY 31, 2019

TABLE OF CONTENTS

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

CITY OF OLEAN, NEW YORK

MAY 31, 2019

TABLE OF CONTENTS

Supplementary Information (continued)

Water Fund

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

Sewer Fund

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

Revolving Loan Fund

Comparative Balance Sheets – Revolving Loan Fund.....	53
Comparative Statements of Revenue, Expenditures And Changes In Fund Equity – Revolving Loan Fund.....	54

Housing Rehabilitation Fund

Comparative Balance Sheets – Housing Rehabilitation Fund.....	55
Comparative Statements of Revenue, Expenditures 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 Changes in Fund Equity – First Time Homebuyers Fund.....	58

Capital Projects Fund

Comparative Balance Sheets – Capital Projects Fund.....	59
Comparative Statements of Revenue, Expenditures 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 And Changes in Fund Equity – Debt Service Fund.....	64

CITY OF OLEAN, NEW YORK

MAY 31, 2019

TABLE OF CONTENTS

Supplementary Information (continued)

Agency Fund

Comparative Balance Sheets – Agency Fund.....65
Schedule of Cash Receipts, Disbursements and Balances
– Agency Fund.....66

Other Schedules

Schedule of Changes in the City's Net
OPEB Liability and Related Ratios.....67
Schedule of City Contributions - OPEB.....68
Schedule of City's Proportionate Share of the Net Pension
Liability – New York State and Local' Employees' Retirement
System (NYSERS) and New York State and Local Police and
Fire Retirement System (NYSPFRS).....69
Schedule of the City's Contributions – New York State and Local Employees' Retirement
System (NYSERS) and New York State and Local Police and
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 Expended78
Notes to Schedule of State Transportation Assistance Expended79

**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, 2019

TABLE OF CONTENTS

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, 2019, 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, 2019 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, 2019, 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.

Emphasis of a matter

As discussed in Note 8 to the financial statements, during the current year the City recorded a prior period adjustment to reclassify proceeds received in prior years related to its wastewater treatment plant from a short-term loan to net position/fund equity. 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, 2018 financial statements, and our report dated February 8, 2019, 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, 2018, 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, 14 through 16, 49 and 52), schedule of changes in the City's net OPEB liability and related ratios (page 67), schedule of City contributions – OPEB (page 68), the schedule of the City's contributions for defined benefit pension plans (page 69), and schedule of the City's share of the net pension asset/liability (page 70), 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 (pages 90-96) 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 28, 2020, 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 28, 2020**

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, 2019. 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, 2019:

- Overall net position of the City increased from operations during the current year in the amount of \$709,000, as compared to an increase of \$1,837,000 during the prior fiscal year.
- Total net position of the City as of May 31, 2019 amounted to approximately \$52,904,000.
- The City's total revenue increased approximately 0% from \$26,551,000 during the fiscal year ended May 31, 2018 to \$26,598,000 during the fiscal year ended May 31, 2019. This increase was primarily the result of increases in real property and sales taxes offset by decreases in capital grants and contributions related to the waste water treatment plant.
- The City's total expenses increased from \$24,714,000 during fiscal year ended May 31, 2018 to \$25,889,000 during the fiscal year ended May 31, 2019. This increase was primarily related to increases in home and community services and employee benefits.
- The City incurred capital costs in the amount of approximately \$4,053,000 primarily related to work performed on the waste water treatment plant, Olean creek pedestrian crossing and the farmers market.
- The general fund reported an overall fund balance of approximately \$2,719,000 as of May 31, 2019.

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 Position (Page 11) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (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 Position and Statement of Activities divide the activities of the City into two categories: governmental activities (the City's functions, including general governmental support, public safety, transportation, culture and recreation, etc.; property taxes, non-property taxes (sales taxes) and state and federal revenue usually support most of these functions) and proprietary activities. The City only had governmental activities during the current fiscal year.

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

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

The two government-wide statements report the City's net assets and how they have changed. Net position – 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 position 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

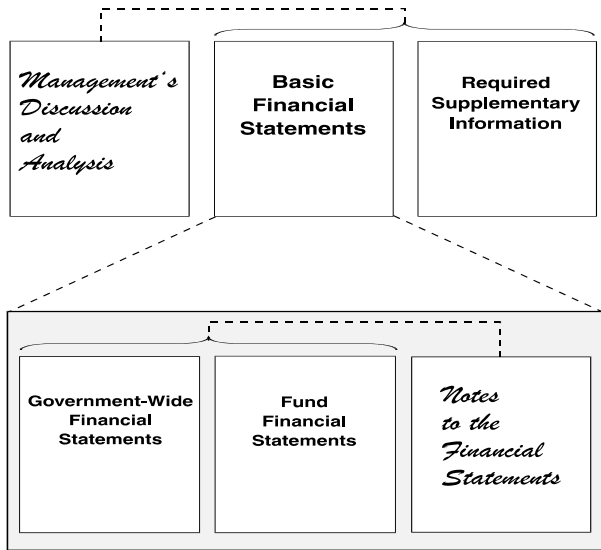
Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending.

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

	Fund Financial Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire government (except fiduciary funds)	The activities of the government that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the government administers resources on behalf of someone else.
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
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



Summary **Detail**

**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 \$709,000. The components of net position include: invested in capital assets, net of related debt of \$49,327,000; restricted net position of \$2,101,000; and unrestricted net position of \$1,476,000 as of May 31, 2019.

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

Changes in Net Assets

The City's total government-wide revenue was \$26,598,000. Approximately 27%, 18%, and 45% of total revenue is derived from the property taxes, non-property taxes and program revenue, respectively. The remaining 10% 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 \$25,889,000 for the fiscal year ended May 31, 2019. The City's expenses cover a range of services, with 11%, 24%, 14%, 21%, 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 \$132,000 or 2% during the current fiscal year.
- One of the City's most significant general revenue is non-property taxes, which represents \$4,878,000 or 18% of total governmental revenue. Total non-property taxes increased approximately \$367,000 or 8% as a result of an overall increase in sales and use tax revenues.
- The City's program revenue totaled approximately \$11,947,000. Program revenue consists of charges for services in the amount of \$9,356,000, which is primarily related to revenue received in the special revenue funds of approximately \$7,804,000. 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 \$805,000, which relate to grants including the operation of the local OATS bus, federal Section 5311 funding, court facilities and security, and the youth bureau; and capital grants and contributions in the amount of \$1,786,000, 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).

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

Revenue (continued)

Total charges for services remained consistent during the current fiscal year. Total operating grants decreased approximately 11% during the current fiscal year, primarily as a result of an decrease in NYS Mass Transit funding received. Lastly, capital grants and contributions decreased approximately 23% during the current year, which was primarily related to a decrease in grants related to 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 \$25,889,000.

- The City's general governmental support was approximately \$2,903,000 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 6% primarily due to increases in engineering costs and depreciation.
- The City's public safety costs were approximately \$6,305,000 or 24% of total expenditures. These expenditures consist primarily of costs attributable to the fire and police departments. Total costs for public safety increased slightly during the current year related to increases in the police department and fire department.

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

Expenses (continued)

- Transportation costs of the City were approximately \$3,689,000 or 14% of total expenditures. These expenditures encompass the street maintenance department including maintenance and snow removal, the airport department and street lighting expenditures. Total transportation costs increased approximately 2% during the current year related bus transportation costs and streets maintenance and was partially offset by decreases in costs associated with the airport.
- The City's culture and recreation costs were approximately \$1,067,000 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 9% which was primarily related to an increase in costs associated with playgrounds and recreation and stadium repairs.
- Home and community services costs were approximately \$5,315,000 or 21% of total expenditures. These expenditures are related to costs of the water and sewer funds and costs related to homebuyer and other community development projects. Total home and community services expenditures increased approximately 12% which was related to contracted services and utilities in both the water and sewer funds.
- Employee benefit costs were approximately \$5,743,000 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 increased approximately 4% during the current fiscal year primarily as a result increases in retirement costs related to actuarial update on pension plans.
- During the current fiscal year, the City had debt service costs of \$796,000. 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. The increase in the current year is due to increases in the scheduled debt service payments.

**CITY OF OLEAN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2019**

Figure A-3 – Condensed Statement of Net Position

<i>City of Olean, New York</i>			
<i>Condensed Statement of Net Position</i>			
<i>As of May 31, 2019</i>			
<i>(in thousands of dollars)</i>			
	2019	Restated 2018	Change
Assets			
Current and other assets	\$ 18,105	\$ 16,227	12%
Capital Assets	92,416	92,167	0%
Total assets	110,521	108,395	12%
Deferred Outflows of Resources			
Deferred outflows related to pensions and OPEB	2,257	4,355	-48%
Total deferred outflows of resources and assets	\$ 112,778	\$ 112,750	0%
Liabilities			
Other liabilities	\$ 9,437	\$ 6,433	47%
Long-term debt outstanding	43,802	44,442	-1%
Total liabilities	53,239	50,874	5%
Deferred Inflows of Resources			
Taxes collected for subsequent year	5,438	5,457	0%
Deferred inflows related to pensions	1,197	4,223	-72%
Total deferred inflows of resources and liabilities	59,874	60,555	-1%
Net Position			
Net investment in capital assets	49,327	48,146	2%
Restricted	2,101	1,933	9%
Unrestricted	1,476	2,116	-30%
Total net position	52,904	52,195	1%
Total liabilities and net position	\$ 112,778	\$ 112,750	0%

Figure A-6 – Governmental Expenses

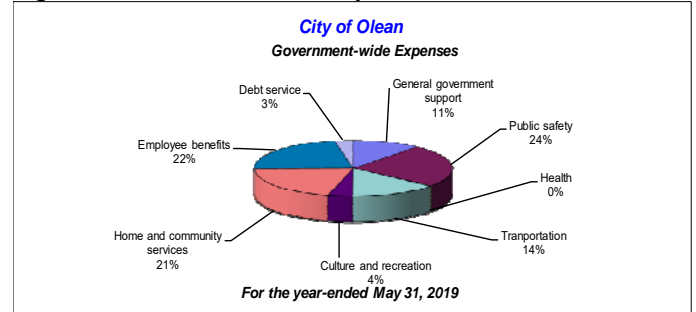
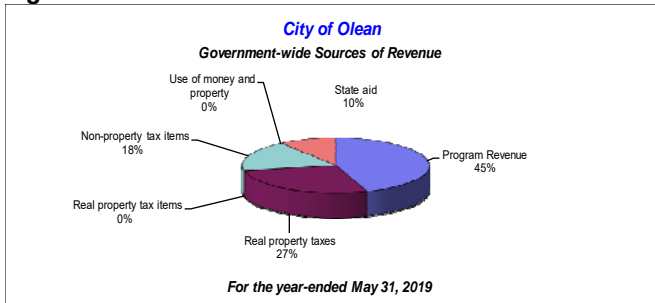


Figure A-4 – Condensed Statement of Activities

<i>City of Olean, New York</i>			
<i>Condensed Statement of Activities</i>			
<i>For the Year Ended May 31, 2019</i>			
<i>(in thousands of dollars)</i>			
	2019	2018	Change
Revenue			
Program Revenue			
Charges for services	\$ 9,356	\$ 9,216	2%
Operating grants	805	901	-11%
Capital grants & contributions	1,786	2,324	-23%
General Revenue			
Real property taxes	7,217	7,085	2%
Special assessment tax - real property	14	13	8%
Real property tax items	70	86	-18%
Non-property tax items	4,878	4,511	8%
Use of money and property	11	5	128%
Miscellaneous local sources	81	65	24%
State aid	2,380	2,345	1%
Total revenue	26,598	26,551	0%
Expenses			
General government support	2,903	2,742	6%
Public safety	6,305	6,276	0%
Health	69	115	-40%
Transportation	3,689	3,615	2%
Economic development	2	-	0%
Culture and recreation	1,067	982	9%
Home and community services	5,315	4,759	12%
Employee benefits	5,743	5,529	4%
Debt service	796	696	14%
Total expenses	25,889	24,714	5%
Change in net position	\$ 709	\$ 1,837	

Figure A-5 – Governmental Sources of Revenue



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 Position 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 its revenues and other sources exceeded expenditures and other uses by approximately \$318,000 during the year ended May 31, 2019.
- The City's general fund unassigned fund balance equated to approximately \$2,589,000 as of May 31, 2019.
- The City had an assigned fund balance as of May 31, 2019, which approximated \$130,000.
- The total assets for the City's general fund were \$9,492,000 which increased approximately \$357,000 during the current year, primarily related to an increase in due from state and federal grant and other funds as of May 31, 2019. The City's general fund liabilities and deferred inflows as of May 31, 2019 were \$6,773,000 which increased approximately \$39,000 during the current fiscal year, primarily related to an increase in accrued liabilities offset by a decrease in due to other funds.

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 \$483,000 during the current year as a result of an increase in real property tax and non-property tax. Total expenditures and other uses in the general fund decreased approximately \$282,000 or 2% which was primarily related to decreases in transfer to other funds and general governmental support. A portion of the transfer in the prior year was related to payment toward the North Union Street Project. These decreases were offset by an increase in public safety and culture and recreation.

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 \$7,804,000 which increased \$33,000 primarily related to increases in intergovernmental charges. Total expenditures and other uses were \$8,212,000 which increased \$523,000. This increase primarily related to increases in capital outlays in the water and sewer funds.

Debt Service Fund

- The City's current fiscal year revenue and other sources were \$3,294,000 which decreased approximately \$219,000. This decrease was due to the debt service fund utilizing reserves to pay for a portion of the current debt payments. Expenditures during the current year amounted to \$3,401,000 which decreased approximately \$61,000.

Capital Projects Fund

- During the current year, the City incurred total costs in the capital projects fund in the amount of \$3,743,000. Such costs were primarily related to costs associated with the Waste Water Treatment Plant (\$609,000), CHiPs (\$603,000), Farmer's Market (\$538,000) and Olean Pedestrian Creek Crossing (\$529,000). No other project exceeded \$500,000 in expenditures during the year ending May 31, 2019.

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 \$146,000 below the revised budget. The most significant variances was in the area of public safety which was below budget by approximately \$68,000. On the other hand, resources available for appropriations were approximately \$241,000 above the final budgeted amount. Significant variances of revenue items consisted of federal aid and non-property tax items which were approximately \$311,000 and \$240,000 above that budgeted, respectively that was offset by State aid which was approximately \$200,000 below the revised budget.

VII. Capital Asset and Debt Administration

Capital Assets

As of May 31, 2019, the City had a net investment of \$92,416,000 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, 2019, totaled approximately \$4,053,000 and consisted primarily of costs associated with the Waste Water Treatment Plant, Farmer's Market, Olean Pedestrian Creek Crossing, 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 and Liabilities

As of May 31, 2019, the City had approximately \$43,802,000 in serial bonds, capital leases, EFC notes, bond anticipation notes, compensated absences, other post-employment benefits, net pension liability, retirement incentives, environmental liability and other long-term debt outstanding. The decrease in long-term debt and liabilities was related to regularly scheduled debt payments and the actuarial update related to the pensions.

**CITY OF OLEAN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2019**

Figure A-7 – General Fund Budget vs Actual

<i>City of Olean, New York Budget vs Actual - General Fund For the Year Ended May 31, 2019 (in thousands of dollars)</i>			
Revenue	Revised Budget	Actual	Difference
Real property taxes	\$ 7,217	\$ 7,217	\$ -
Special assessment tax - real property	16	14	(2)
Real property tax items	80	70	(10)
Non-property tax items	4,638	4,878	240
Departmental income	1,240	1,207	(33)
Intergovernmental charges	241	149	(92)
Use of money and property	4	10	6
Licenses and permits	111	101	(10)
Fines and forfeitures	51	47	(4)
Sales of property and comp for loss	10	45	35
State aid	3,074	2,874	(200)
Federal aid	-	311	311
Total revenue	<u>\$ 16,682</u>	<u>\$ 16,923</u>	<u>\$ 241</u>
Expenses			
General government support	\$ 2,291	\$ 2,269	\$ 22
Public safety	5,612	5,544	68
Health	23	57	(34)
Transportation	2,333	2,344	(11)
Economic development	2	2	-
Culture and recreation	1,019	976	43
Home and community services	194	165	29
Employee benefits	4,182	4,163	19
Other financing uses			
Transfer to other funds	1,095	1,085	10
Total expenses	<u>\$ 16,751</u>	<u>\$ 16,805</u>	<u>\$ 146</u>

VIII. Factors bearing on the City's Future

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

- NYS has imposed a 2.00% property tax cap on all municipalities as it relates to the 2019-20 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 2019-20 fiscal year the Council adopted a budget with 1.00% tax increase.
- Solean Solar Farm Project has been completed and it has a \$10 million dollar taxable value. Homeridae Solar Farm has been completed and the City is the recipient of the net metering credits.
- The City is near completion on the construction of a new \$22 million wastewater treatment plant and expects completion during the 19-20 fiscal year.
- The Downtown Farmers' Market Project construction has been completed. The City of Olean 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.

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

- The construction of the Olean Gateway Project is underway, which will include a new hotel, along with retail/restaurant complex. The City recently applied for and was awarded \$416,000 in Community Development Block Grant funds under the Economic Development Program to contribute towards site furnishings and fixtures for the HK Olean Hotel, LLC \$13.44 million four-story hotel project. Construction is planned to be completed in 2020. The project is expected to create 28 new jobs and increase sales tax revenue. In addition, the City was able to contribute \$1 million towards the project with Restore NY funds administered by Empire State Development.
- 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 finding 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 projects include the creation of a Downtown Revitalization & Rehabilitation Fund, street improvements to West State, South Union, East State and North Union Streets, redevelopment of the historic Manufacturers' Hanover building, Oak Hill Park improvements, expansion of Four Mile Brewing Co., renovation of the former Carnegie Library Building, establish a permanent home for the African-American Center, renovation of 211 North Union Street and historic row buildings on North Union Street. Projects are in various stages that include planning, design and construction.

- The Olean Urban Renewal Agency is working on a \$700,000 roof replacement and stabilization project for the Manufacturers' Hanover building prior to the disposition of the property to its preferred developer. \$2 million in DRI funds were allocated to this priority project to redevelop the historic Manufacturers' Hanover building.

IX. Contacting the City's Financial Management

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

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

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

Assets	2019	Restated 2018
Cash on hand	\$ 1,565	\$ 1,565
Cash on deposit		
Regular accounts	9,484,777	9,898,201
Cash with fiscal agent	480,155	1,112,583
Receivables		
Refuse and garbage	1,869	1,869
Special assessment	1,882	1,882
Accounts receivable, net	1,783,636	1,787,227
Due from other funds	8,586	8,586
State, Federal and other governments	1,619,360	1,566,374
Revolving loans receivable	261,854	379,556
First Time Homebuyers loans receivable	73,724	79,747
Rehabilitation loans receivable	229	229
Other assets	35	-
Cash to be used for capital assets	4,387,319	1,389,556
Capital assets, net	92,415,839	92,167,271
Total assets	110,520,830	108,394,646
Deferred Outflows of Resources		
Deferred outflows related to pensions	2,136,855	4,225,590
Deferred outflows related to OPEB	120,536	129,670
Total assets and deferred outflows of resources	\$ 112,778,221	\$ 112,749,906
Liabilities		
Payables		
Accounts payable	\$ 761,936	\$ 1,057,134
Accrued liabilities	758,454	483,095
Due to employee retirement system	274,166	272,666
Other liabilities	32,904	25,096
Unearned revenue	335,807	459,532
Bond anticipation notes and short term notes payable	7,274,215	4,135,000
Long-term liabilities		
Portion due or payable within one year		
NYS EFC notes payable	345,000	335,000
Serial bonds payable	2,075,900	1,999,900
Capital leases	155,405	151,219
Environmental liability	125,000	125,000
Compensated absences	35,000	35,000
Portion due or payable after one year		
NYS EFC notes payable	2,870,000	3,215,000
Serial bonds payable	33,507,140	35,083,040
Capital leases	466,399	621,804
Compensated absences	227,009	224,845
Net pension liability - NYS Employee's Retirement System	1,166,651	549,318
Net pension liability - NYS Police and Fire Retirement System	2,008,901	1,229,433
Other-post employment benefits	819,192	872,362
Total liabilities	53,239,079	50,874,444
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,197,292	4,223,186
Taxes collected for subsequent year	5,437,821	5,457,251
Total liabilities and deferred inflows of resources	59,874,192	60,554,881
Net Position		
Net investment in capital assets	49,327,339	48,145,464
Restricted for		
Debt service	389,625	496,819
Capital	1,711,257	1,436,466
Unrestricted:		
Designated	582,119	443,014
Undesignated	893,689	1,673,262
Total net position	52,904,029	52,195,025
Total liabilities and net position	\$ 112,778,221	\$ 112,749,906

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

	Program Revenues				2019	2018
	Expenses	Charges for Services	Operating Grants	Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs						
General government support	\$ 2,903,441	\$ 261,836	\$ -	\$ 220,205	\$ (2,421,400)	\$ (2,378,416)
Public safety	6,304,765	139,323	74,357	-	(6,091,085)	(6,042,723)
Health	69,008	663,289	-	-	594,281	597,296
Transportation	3,689,024	311,516	730,706	645,352	(2,001,450)	(1,995,154)
Economic development	1,900	14,895	-	-	12,995	15,224
Culture and recreation	1,067,113	248,005	-	4,001	(815,107)	(780,130)
Home and community services	5,315,478	6,127,402	-	916,893	1,728,817	2,782,682
Employee benefits	5,742,579	1,589,568	-	-	(4,153,011)	(3,776,345)
Debt service - interest & issuance fees	796,367	-	-	-	(796,367)	(695,876)
Total functions and programs	\$ 25,889,675	\$ 9,355,834	\$ 805,063	\$ 1,786,451	(13,942,327)	(12,273,442)
General Revenues						
Real property taxes					7,217,093	7,084,585
Special assessment tax - real property					14,006	13,011
Real property tax items					70,345	86,539
Non-property tax items					4,877,587	4,510,854
Use of money and property					11,414	5,503
Miscellaneous local sources					80,804	65,199
State aid					2,380,082	2,345,018
Total general revenues					14,651,331	14,110,709
Change in net position					709,004	1,837,267
Net position - beginning of year					52,195,025	48,789,339
Prior period adjustments					-	1,568,419
Net position - end of year					\$ 52,904,029	\$ 52,195,025

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

	Major Funds					Non-Major Funds		2018	
	General	Water	Sewer	Debt Service	Capital Project Funds	Special Revenue Funds	2019 (Memo only) Total	Restated (Memo only) Total	
Assets									
Cash on hand	\$ 1,525	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 1,565	\$ 1,565	
Cash on deposit									
Regular accounts	7,736,836	426,854	1,327,624	2,738,912	1,502,814	139,056	13,872,096	11,287,757	
Cash with fiscal agent					480,155		480,155	1,112,583	
Receivables									
Refuse and garbage	1,869	-	-	-	-	-	1,869	1,869	
Special assessment	1,882	-	-	-	-	-	1,882	1,882	
Accounts receivable	269,149	709,407	805,080	-	-	-	1,783,636	1,787,227	
Due from other funds	57,258	60,772	333,122	1,301,421	2,938,008	1,000	4,691,581	1,755,482	
Other assets	-	-	-	-	-	-	-	-	
Advances to other funds	387,279	-	-	-	-	-	387,279	223,124	
State, Federal and other governments	1,035,967	256,219	262,448	-	64,726	-	1,619,360	1,566,374	
Revolving loans receivable	-	-	-	-	-	261,854	261,854	379,556	
First Time Homebuyers loans receivable	-	-	-	-	-	73,724	73,724	79,747	
Rehabilitation loans receivable	-	-	-	-	-	229	229	229	
Other assets	-	-	-	-	-	35	35	-	
Total assets	\$ 9,491,765	\$ 1,453,292	\$ 2,728,274	\$ 4,040,333	\$ 4,985,703	\$ 475,898	\$ 23,175,265	\$ 18,197,395	
Liabilities									
Accounts payable	\$ 301,206	\$ 33,649	\$ 54,851	\$ -	\$ 370,075	\$ 2,155	\$ 761,936	\$ 1,057,134	
Accrued liabilities	394,922	52,147	36,480	-	-	-	483,549	316,603	
Due to other funds	381,269	286,634	309,881	3,650,708	53,503	1,000	4,682,995	1,746,896	
Advances from other funds	-	343,084	44,195	-	-	-	387,279	223,124	
Due to employee retirement systems	232,500	20,833	20,833	-	-	-	274,166	272,666	
Other liabilities	24,959	7,945	-	-	-	-	32,904	25,096	
Unearned revenue	-	-	-	-	-	335,807	335,807	459,532	
Bond anticipation notes - construction	-	-	-	-	7,274,215	-	7,274,215	4,135,000	
Total liabilities	1,334,856	744,292	466,240	3,650,708	7,697,793	338,962	14,232,851	8,236,051	
Deferred Inflows of Resources									
Taxes collected for subsequent year	5,437,821	-	-	-	-	-	5,437,821	5,457,251	
Fund Equity									
Restricted	-	-	-	389,625	1,711,257	-	2,100,882	1,933,285	
Assigned	129,920	709,000	2,262,034	-	-	136,936	3,237,890	3,586,387	
Unassigned (deficit)	2,589,168	-	-	-	(4,423,347)	-	(1,834,179)	(1,015,579)	
Total fund equity (deficit)	2,719,088	709,000	2,262,034	389,625	(2,712,090)	136,936	3,504,593	4,504,093	
Total liabilities, deferred inflows of resources and fund equity	\$ 9,491,765	\$ 1,453,292	\$ 2,728,274	\$ 4,040,333	\$ 4,985,703	\$ 475,898	\$ 23,175,265	\$ 18,197,395	

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

Revenue	Major Funds					Non-Major	2019 (Memo only) Total	2018 (Memo only) Total
	General	Water	Sewer	Debt Service	Capital Project Funds	Special Revenue Funds		
Real property taxes	\$ 7,217,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,217,093	\$ 7,084,585
Special assessment tax - real property	14,006	-	-	-	-	-	14,006	13,011
Real property tax items	70,345	-	-	-	-	-	70,345	86,539
Non-property tax items	4,877,587	-	-	-	-	-	4,877,587	4,510,854
Departmental income	1,207,400	3,648,278	3,567,953	-	-	143,091	8,566,722	8,652,069
Intergovernmental charges	148,713	-	441,851	-	-	-	590,564	460,066
Use of money and property	9,705	-	-	3,782	878	81	14,446	7,770
Licenses and permits	100,651	-	-	-	-	-	100,651	44,324
Fines and forfeitures	47,088	-	-	-	-	-	47,088	52,438
Sale of property & compensation for loss	44,776	3,001	-	-	-	-	47,777	4,471
Miscellaneous local sources	-	-	-	80,804	197,825	-	278,629	598,678
State aid	2,873,902	-	-	-	1,261,261	-	4,135,163	4,707,204
Federal aid	311,243	-	-	-	327,365	-	638,608	329,375
Total revenue	16,922,509	3,651,279	4,009,804	84,586	1,787,329	143,172	26,598,679	26,551,384
Expenditures								
General government support	2,268,579	76,576	62,405	17,147	365,826	-	2,790,533	2,891,634
Public safety	5,544,324	-	-	-	-	-	5,544,324	5,431,953
Health	57,105	-	-	-	-	-	57,105	104,041
Transportation	2,344,221	-	-	-	1,072,124	-	3,416,345	4,027,640
Economic development	1,900	-	-	-	-	-	1,900	1,900
Culture and recreation	975,600	-	-	-	671,294	-	1,646,894	1,232,297
Home and community services	164,698	1,895,259	2,401,723	-	1,523,236	157,280	6,142,196	10,488,270
Employee benefits	4,163,441	581,430	579,938	-	-	-	5,324,809	5,329,385
Debt service:								
Principal	-	-	-	2,696,119	-	-	2,696,119	2,747,080
Interest	-	-	-	687,954	-	-	687,954	715,481
Total expenditures	15,519,868	2,553,265	3,044,066	3,401,220	3,632,480	157,280	28,308,179	32,969,681
Excess (deficiency) of revenue over expenditures	1,402,641	1,098,014	965,738	(3,316,634)	(1,845,151)	(14,108)	(1,709,500)	(6,418,297)
Other financing sources (uses)								
BANS redeemed from appropriations	-	-	-	-	210,000	-	210,000	304,000
Proceeds from serial bonds	-	-	-	-	500,000	-	500,000	23,408,840
Operating transfers in	-	-	-	3,209,440	444,030	-	3,653,470	4,567,681
Operating transfers out	(1,084,986)	(1,303,616)	(1,154,050)	-	(110,818)	-	(3,653,470)	(4,567,681)
Total other financing sources (uses)	(1,084,986)	(1,303,616)	(1,154,050)	3,209,440	1,043,212	-	710,000	23,712,840
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	317,655	(205,602)	(188,312)	(107,194)	(801,939)	(14,108)	(999,500)	17,294,543
Fund equity (deficit), beginning of year	2,401,433	914,602	2,450,346	496,819	(1,910,151)	151,044	4,504,093	(15,131,438)
Prior period adjustments	-	-	-	-	-	-	-	2,340,988
Fund equity (deficit), end of year	\$ 2,719,088	\$ 709,000	\$ 2,262,034	\$ 389,625	\$ (2,712,090)	\$ 136,936	\$ 3,504,593	\$ 4,504,093

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2019

	Adopted Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Real property taxes	\$ 7,217,093	\$ 7,217,093	\$ 7,217,093	\$ -	\$ -
Special assessment tax - real property	15,708	15,708	14,006	-	(1,702)
Real property tax items	80,000	80,000	70,345	-	(9,655)
Non-property tax items	4,637,500	4,637,500	4,877,587	-	240,087
Departmental income	1,240,800	1,240,800	1,207,400	-	(33,400)
Intergovernmental charges	241,457	241,457	148,713	-	(92,744)
Use of money and property	4,000	4,000	9,705	-	5,705
Licenses and permits	110,585	110,585	100,651	-	(9,934)
Fines and forfeitures	51,000	51,000	47,088	-	(3,912)
Sales of property and compensation for loss	10,000	10,000	44,776	-	34,776
State aid	3,073,747	3,073,747	2,873,902	-	(199,845)
Federal aid	-	-	311,243	-	311,243
Total revenue	16,681,890	16,681,890	16,922,509	-	240,619
Expenditures					
General government support	2,422,344	2,292,154	2,268,579	23,375	200
Public safety	5,624,311	5,611,825	5,544,324	38,420	29,081
Health	40,635	23,135	57,105	-	(33,970)
Transportation	2,342,923	2,332,554	2,344,221	19,750	(31,417)
Economic development	2,000	2,000	1,900	-	100
Culture and recreation	969,133	1,019,336	975,600	19,375	24,361
Home and community services	193,729	193,729	164,698	29,000	31
Employee benefits	4,182,150	4,182,150	4,163,441	-	18,709
Total expenditures	15,777,225	15,656,883	15,519,868	129,920	7,095
Excess (deficiency) of revenue over expenditures	904,665	1,025,007	1,402,641	(129,920)	247,714
Other financing sources (uses)					
Operating transfers out	(904,665)	(1,095,402)	(1,084,986)	-	10,416
Total other financing sources (uses)	(904,665)	(1,095,402)	(1,084,986)	-	10,416
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	\$ -	\$ (70,395)	\$ 317,655	\$ (129,920)	\$ 258,130

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2019

	<u>(Water Fund and Sewer Fund Only)</u>				Variance Favorable (Unfavorable)
	Adopted Budget	Amended Budget	Actual	Encumbrances	
Revenue					
Departmental income	\$ 7,318,694	\$ 7,318,694	\$ 7,216,231	\$ -	\$ (102,463)
Intergovernmental charges	377,500	377,500	441,851	-	64,351
Sales of property and compensation for loss	-	-	3,001	-	3,001
Total revenue	7,696,194	7,696,194	7,661,083	-	(35,111)
Expenditures					
General government support	285,000	285,000	138,981	45,017	101,002
Home and community services	4,219,200	4,279,208	4,296,982	102,000	(119,774)
Employee benefits	1,180,850	1,180,850	1,161,368	-	19,482
Total expenditures	5,685,050	5,745,058	5,597,331	147,017	710
Excess of revenue over expenditures	2,011,144	1,951,136	2,063,752	(147,017)	(34,401)
Other financing sources (uses)					
Operating transfers out	(2,231,255)	(2,443,755)	(2,457,666)	-	(13,911)
Total other financing sources (uses)	(2,231,255)	(2,443,755)	(2,457,666)	-	(13,911)
Excess (deficiency) of revenue over expenditures and other financing uses	\$ (220,111)	\$ (492,619)	\$ (393,914)	\$ (147,017)	\$ (48,312)

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2019

	Adopted Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue				
Use of money and property	\$ -	\$ 3,782	\$ -	\$ 3,782
Miscellaneous local sources	-	80,804	-	80,804
Total revenue	-	84,586	-	84,586
Expenditures				
General government support	-	17,147	-	(17,147)
Debt service:				
Principal	2,922,675	2,696,119	-	226,556
Interest	488,245	687,954	-	(199,709)
Total expenditures	3,410,920	3,401,220	-	9,700
Excess (deficiency) of revenue over expenditures	(3,410,920)	(3,316,634)	-	94,286
Other financing sources (uses)				
Operating transfers in	3,135,920	3,209,440	-	73,520
Total other financing sources (uses)	3,135,920	3,209,440	-	73,520
Excess (deficiency) of revenue and other financing sources over expenditures	\$ (275,000)	\$ (107,194)	\$ -	\$ 167,806

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash on deposit		
Regular accounts	\$ 75,215	\$ 129,115
Restricted accounts	209,597	204,218
	<hr/>	<hr/>
Total assets	<u>\$ 284,812</u>	<u>\$ 333,333</u>
Liabilities		
Due to governmental activities - general fund	\$ 8,586	\$ 8,586
Other liabilities	276,226	324,747
	<hr/>	<hr/>
Total liabilities	<u>\$ 284,812</u>	<u>\$ 333,333</u>

CITY OF OLEAN, NEW YORK
RECONCILIATION OF GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF MAY 31, 2019

Total fund balance - governmental funds \$ 3,504,593

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	\$ 143,373,467	
Accumulated depreciation	<u>(50,957,628)</u>	92,415,839

Interest on long-term assets is not accrued in governmental funds, but rather is recognized as an expenditure when due. (399,905)

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. 939,563

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. 120,536

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	(3,215,000)	
Serial Bonds payable	(35,583,040)	
Net pension liability	(3,175,552)	
Capital leases	(621,804)	
Other post-employment benefits	(819,192)	
Compensated absences	<u>(262,009)</u>	(43,676,597)

Total net position - governmental liabilities \$ 52,904,029

	Total Governmental Funds	Long-term Assets and Outflows Transactions	Long-term Liability and Inflows Transactions	Reclassifications and Eliminations	Statement of Net Position Totals
Assets					
Cash on hand	\$ 1,565	\$ -	\$ -	\$ -	\$ 1,565
Cash on deposit					
Regular accounts	13,872,096	-	-	(4,387,319)	9,484,777
Cash with fiscal agent	480,155	-	-	-	480,155
Receivables					
Refuse and garbage	1,869	-	-	-	1,869
Special assessment	1,882	-	-	-	1,882
Accounts receivable	1,783,636	-	-	-	1,783,636
Due from other funds	4,691,581	-	-	(4,682,995)	8,586
Advances to other funds	387,279	-	-	(387,279)	-
State, Federal and other governments	1,619,360	-	-	-	1,619,360
Revolving loans receivable	261,854	-	-	-	261,854
First Time Homebuyers loans receivable	73,724	-	-	-	73,724
Rehabilitation loans receivable	229	-	-	-	229
Other assets	35	-	-	-	35
Cash to be used for capital assets	-	-	-	4,387,319	4,387,319
Capital Assets, net	-	92,415,839	-	-	92,415,839
Total assets	23,175,265	92,415,839	-	(5,070,274)	110,520,830
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	2,136,855	-	-	2,136,855
Deferred outflows related to OPEB	-	120,536	-	-	120,536
Total assets and deferred outflows of resources	\$ 23,175,265	\$ 94,673,230	\$ -	\$ (5,070,274)	\$ 112,778,221
Liabilities					
Accounts payable	\$ 761,936	\$ -	\$ -	\$ -	\$ 761,936
Accrued liabilities	483,549	-	399,905	(125,000)	758,454
Due to other funds	4,682,995	-	-	(4,682,995)	-
Advances from other funds	387,279	-	-	(387,279)	-
Due to employee retirement system	274,166	-	-	-	274,166
Other liabilities	32,904	-	-	-	32,904
Unearned revenue	335,807	-	-	-	335,807
Net pension liability	-	-	3,175,552	-	3,175,552
Bond anticipation notes payable	7,274,215	-	-	-	7,274,215
NYS EFC note	-	-	3,215,000	-	3,215,000
Serial bonds payable	-	-	35,583,040	-	35,583,040
Capital leases	-	-	621,804	-	621,804
Environmental liability	-	-	-	125,000	125,000
Other post-employment benefits	-	-	819,192	-	819,192
Compensated absences	-	-	262,009	-	262,009
Total liabilities	14,232,851	-	44,076,502	(5,070,274)	53,239,079
Deferred inflows of resources					
Deferred inflows related to pensions	-	-	1,197,292	-	1,197,292
Taxes collected for subsequent year	5,437,821	-	-	-	5,437,821
Total liabilities and deferred inflows of resources	19,670,672	-	45,273,794	(5,070,274)	59,874,192
Fund equity/net position					
Total liabilities, deferred inflows of resources and fund equity/net position	3,504,593	94,673,230	(45,273,794)	-	52,904,029
Total liabilities, deferred inflows of resources and fund equity/net position	\$ 23,175,265	\$ 94,673,230	\$ -	\$ (5,070,274)	\$ 112,778,221

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, 2019

Total net change in fund balances - governmental funds \$ (999,500)

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

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

Capital outlays	\$ 4,053,094	
Depreciation expense	<u>(3,804,526)</u>	248,568

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. 2,696,119

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 position. Proceeds from long-term debt during the current year consisted of the following: (500,000)

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. (210,000)

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. (108,413)

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. (459,642)

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. 44,036

In the statement of activities, certain operating expenses - compensated absences 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. (2,164)

Change in net position of governmental activities \$ 709,004

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

	Total Governmental Funds	Long-term Assets and Outflows Transactions	Long-term Liability and Inflows Transactions	Reclassifications and Eliminations	Statement of Activities Total
Revenues					
Real property taxes	\$ 7,217,093	\$ -	\$ -	\$ -	\$ 7,217,093
Special assessment tax - real property	14,006	-	-	-	14,006
Real property tax items	70,345	-	-	-	70,345
Non-property tax items	4,877,587	-	-	-	4,877,587
Departmental income	8,566,722	-	-	(8,566,722)	-
Intergovernmental charges	590,564	-	-	(590,564)	-
Use of money and property	14,446	-	-	(3,032)	11,414
Licenses and permits	100,651	-	-	(100,651)	-
Fines and forfeitures	47,088	-	-	(47,088)	-
Sales of property and compensation for loss	47,777	-	-	(47,777)	-
Miscellaneous local sources	278,629	-	-	(197,825)	80,804
State aid	4,135,163	-	-	(1,755,081)	2,380,082
Federal aid	638,608	-	-	(638,608)	-
Total revenues	26,598,679	-	-	(11,947,348)	14,651,331
Expenditures/Expenses					
General government support	2,790,533	112,908	-	(482,040)	2,421,401
Public safety	5,544,324	760,441	-	(213,680)	6,091,085
Health	57,105	11,903	-	(663,289)	(594,281)
Transportation	3,416,345	272,679	-	(1,687,574)	2,001,450
Economic development	1,900	-	-	(14,895)	(12,995)
Culture and recreation	1,646,894	(579,781)	-	(252,006)	815,107
Home and community services	6,142,196	(826,718)	-	(7,044,296)	(1,728,818)
Employee benefits	5,324,809	-	417,770	(1,589,568)	4,153,011
Debt service:					
Principal	2,696,119	-	(2,696,119)	-	-
Interest	687,954	-	108,413	-	796,367
Total expenditures/expenses	28,308,179	(248,568)	(2,169,936)	(11,947,348)	13,942,327
Excess (deficiency) of revenue over expenditures	(1,709,500)	248,568	2,169,936	-	709,004
Other sources and (uses)					
BANs redeemed from appropriations	210,000	-	(210,000)	-	-
Proceeds from serial bonds	500,000	-	(500,000)	-	-
Operating transfers in	3,653,470	-	-	(3,653,470)	-
Operating transfers out	(3,653,470)	-	-	3,653,470	-
Total other sources (uses)	710,000	-	(710,000)	-	-
Net change for the year	\$ (999,500)	\$ 248,568	\$ 1,459,936	\$ -	\$ 709,004

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

3. Fund Categories

a. Governmental Funds

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

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

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

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

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

b. Fiduciary Funds

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting/Measurement Focus

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

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

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

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

D. Property Taxes

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

E. Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations

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

1. Governmental Funds

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

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

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). The City did not have any nonspendable fund balance as of May 31, 2019.

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.

2. Reserve for Capital Projects

This reserve is comprised of proceeds from obligations and local sources to be used to pay for future capital projects. This reserve is accounted for in the Capital Projects Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations (continued)

1. Governmental Funds (continued)

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the City's Common Council, which is the City's highest level of decision-making authority. The City did not have any committed fund balance as of May 31, 2019.

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, 2019, the general, water and sewer funds had \$129,920, \$45,017 and \$102,000, 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, sewer and non-major funds, \$99,500, \$209,682, and \$136,936, respectively, of fund equity has been designated as the amount estimated to be applied towards the budget for the fiscal year ending May 31, 2020.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations (continued)

1. Governmental Funds (continued)

E. Unassigned

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

2. Government-wide financial statements

A. 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. The City had a supplemental appropriations in the Sewer Fund during the year ended May 31, 2019 in the amount of \$120,000 related to environmental cleanup costs that exceeded the original budget.

2. Budget Basis of Accounting

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgetary Data (continued)

2. Budget Basis of Accounting (continued)

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

	June 1, 2018 Fund Equity	Revenues and Other Sources	Expenditures and Other Uses	May 31, 2019 Fund Equity
Total for funds included in Budget Comparison	\$ 3,364,948	\$ 7,661,083	\$ 8,054,997	\$ 2,971,034
Funds not included in budget comparison:				
Revolving Loan Fund	112,042	86,998	82,288	116,752
First Time Homebuyers Fund	30,614	56,174	74,992	11,796
Housing Rehabilitation Fund	8,388	-	-	8,388
Total Special Revenue Funds	<u>\$ 3,515,992</u>	<u>\$ 7,804,255</u>	<u>\$ 8,212,277</u>	<u>\$ 3,107,970</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 2018-2019 was \$4,468,038 as compared to \$4,126,919 for the prior fiscal year, an increase of \$256,510. The City's General Fund Balance Sheet, as of May 31, 2019, reflects a receivable balance from Federal and State governments of \$1,035,967, of which, \$526,096 represents an amount of sales and use tax that is "measurable and available" at the end of the fiscal year in accordance with the modified accrual basis of accounting, for sales tax revenue. The City records this amount as non-property tax revenue in the general fund.

I. Capital Assets

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

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

I. Capital Assets (continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 1,000	Straight-line	40 years
Land Improvements	\$ 1,000	Straight-line	25 years
Furniture and equipment	\$ 1,000	Straight-line	7 years
Transportation vehicles	\$ 1,000	Straight-line	8 years

J. Unearned Revenue

Unearned revenue is reported on the City's combined balance sheet and statement of net position. 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.

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 statement of net position as of May 31, 2019 amounting to \$262,009 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 position 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. The second is related to pensions reported in the government-wide Statement of Net Position.

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 position. This difference primarily results from the additional long-term economic focus of the statement of net position 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 position.

4. Pension Differences

Pension differences occur as a result of changes in the City's proportion of the collective net pension asset/liability and differences between the City's contributions and its proportionate share of the total contributions to the pension systems.

5. OPEB Differences

OPEB differences occur as a result of changes in the City's total OPEB liability and differences between the City's contributions and OPEB expense.

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.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

A. Assets (continued)

1. Cash and Investments (continued)

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, 2019, 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.

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, 2019 per the bank were approximately \$13,625,000. These deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 250,000	\$ 13,375,000	\$ -	\$ 13,625,000

b. Cash Held with Fiscal Agent

Deposits held by NYS EFC as of May 31, 2019 totaled \$480,155 and represent proceeds remaining on bonds that were issued in in November 2017 related to the wastewater treatment plant.

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

A. Assets (continued)

2. Capital Assets

Governmental activities:	Beginning Balance 5/31/18	Additions, Transfers and Prior Period Adjustment	Ending Balance 5/31/19
Capital assets that are not depreciated:			
Land	\$ 384,187	\$ -	\$ 384,187
Construction in Progress	28,094,110	1,685,380	29,779,490
Capital assets that are depreciated:			
Buildings and Improvements	88,253,179	1,175,553	89,428,732
Furniture and Equipment	14,938,908	651,552	15,590,460
Vehicles	7,649,989	540,609	8,190,598
Total historical cost	139,320,373	\$ 4,053,094	143,373,467
Less: Accumulated depreciation:	47,153,102	\$ 3,804,526	50,957,628
Total net book value	\$ 92,167,271		\$ 92,415,839

Depreciation expense:

General governmental support	\$ 546,378
Public safety	972,294
Health	11,903
Transportation	803,738
Economic development	-
Culture and recreation	177,472
Home and community services	1,292,741
	<u>\$ 3,804,526</u>

The City had capital additions in the amount of \$4,053,094 related to the waste water treatment plant, farmers market, Olean creek pedestrian crossing and various other equipment and improvements.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (continued)

3. Receivables

Receivables at May 31, 2019 consisted of the following, which are stated at net realizable value.

Fund	Description	Amount
General Fund	Due from Federal & State - Other	\$ 425,262
General Fund	Due from Federal & State - NYS sales tax	610,705
General Fund	Other receivables	272,900
Special Revenue:		
Water Fund	Accounts receivable - water rents and meter	709,407
Water Fund	Due from other government	256,219
Sewer Fund	Accounts receivable - sewer rents	805,080
Sewer Fund	Due from other government	262,448
Community Development:		
Revolving Loan	Loan receivable	261,854
1 st Time Home	Loan receivable	73,724
Housing Rehab	Loan receivable	229
Capital Projects	Due from Federal & State - various projects	64,726
		<u>\$ 7,485,108</u>

The City recorded an allowance for uncollectible accounts for other receivables in the general fund balance sheet and accounts receivable in the entity-wide statement of net position in the amount of \$72,930 as of May 31, 2019.

B. Liabilities

1. Deferred Inflows of Resources and Unearned Revenue

Deferred inflows of resources and unearned revenue at May 31, 2019 recorded in governmental fund were as follows:

	General Fund	Special Revenue Fund
<u>Deferred inflows</u>		
Real property taxes	\$ 5,422,659	\$ -
Bartlett House	13,280	-
Special assessment taxes	1,882	-
	<u>\$ 5,437,821</u>	<u>\$ -</u>
<u>Unearned revenue</u>		
Revolving loans	\$ -	\$ 261,854
Housing Rehab	-	229
1 st Time Home	-	73,724
	<u>\$ -</u>	<u>\$ 335,807</u>

Deferred inflows of resources related to real property taxes reflect collections during May 2019 for real property taxes levied on May 1 for the 2019-2020 fiscal year. Deferred inflows from special assessment taxes consist of levies on property owners to be collected after May 31, 2019. Installments on special assessments are due over a period of 5 to 10 years. Revenue from revolving loans is collected over a period of 5 to 20 years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

2. Pension Plans

a. Plan Descriptions and Benefits Provided

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

b. Contributions

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

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,	2019	\$ 568,438	\$ 1,046,909
	2018	592,035	1,069,888
	2017	598,107	1,100,545

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.

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, 2019.

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, 2019, 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, 2019 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, 2019 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	\$ 229,738	\$ 488,018	\$ 299,427	\$ 214,483
Changes of assumptions	293,248	729,887	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	78,315	402,334
Changes in proportion and differences between the City's contributions and proportionate share of contributions City's contributions subsequent to the measurement date	21,678	100,120	164,631	38,102
	95,833	178,333	-	-
Total	\$ 640,497	\$ 1,496,358	\$ 542,373	\$ 654,919

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		PFRS	
	3/31/2019		3/31/2019	
Net pension liability	\$	1,166,651	\$	2,008,901
City's portion of the Plan's total net pension liability		.0164658%		.1197868%

For the year ended May 31, 2019, the City's recognized pension expense of \$711,218 for ERS and \$1,365,268 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, including contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year ending:	ERS		PFRS	
	2020	\$	198,424	\$
2021		(278,528)		(66,597)
2022		(53,495)		10,195
2023		135,890		222,537
2023		-		46,016
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:

Measurement date	ERS		PFRS	
	3/31/2019		3/31/2019	
Actuarial valuation date		4/1/2018		4/1/2018
Interest rate		7%		7%
Salary scale		4.2% average 4/1/10 – 3/31/15		4.2% average 4/1/10 – 3/31/15
Decrement tables		System's Experience		System's Experience
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:

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	Expected	PFRS	Expected
	3/31/19	Rate of Return	3/31/19	Rate of Return
Asset Type:				
Domestic Equity	36%	4.55%	36%	4.55%
International Equity	14%	6.35%	14%	6.35%
Private Equity	10%	7.50%	10%	7.50%
Real Estate	10%	5.55%	10%	5.55%
Absolute return strategies	2%	3.75%	2%	3.75%
Opportunistic polio	3%	5.68%	3%	5.68%
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%	1.25%	4%	1.25%
Total:	100%		100%	

f. Discount Rate

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

2. Pension Plans (continued)

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

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

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension (asset)/liability	\$ 5,100,783	\$ 1,166,651	\$ (2,138,300)

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
PFRS			
Employer's proportionate share of the net pension (asset)/liability	\$ 7,259,867	\$ 2,008,901	\$ (2,376,266)

h. Pension Plan Fiduciary Net Position

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

Measurement date	ERS	PFRS
	3/31/19	3/31/19
Employers' total pension liability	\$ 189,803,429	\$ 34,128,100
Plan Net Position	\$ 182,718,124	\$ 32,451,037
Employers' net pension liability	\$ 7,085,305	\$ 1,677,063
Ratio of plan net position to be		
Employers' total pension liability	96.27%	95.09%

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, 2019 represent the projected employer contribution for the period of April 1, 2019 through May 31, 2019 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2019 for ERS and PFRS amounted to \$95,833 and \$178,333, 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 \$819,192 was measured as of June 1, 2017 and rolled forward for the fiscal year ending May 31, 2019. An actuarial update was not completed due to the size of the plan and the immaterial nature of the change that would have occurred with an actuarial update.

Actuarial Assumptions and Other Inputs

The total OPEB liability was valued at June 1, 2017 and rolled forward to May 31, 2019. 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		-
Changes in assumptions		-
Benefit payments		<u>(80,438)</u>
Net changes		(53,170)
Net OPEB liability – beginning of year		872,362
Net OPEB liability – end of year	\$	<u>819,192</u>

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 (beginning of year) 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% Decrease (2.27%)	Discount Rate (3.27%)	1% Increase (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 (beginning of the year) 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% Decrease (4%-7%)	Healthcare Rate (5%-8%)	1% Increase (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, 2019, the City recognized OPEB expense of \$27,268. At May 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and actual experience	\$ 40,536	\$ -
Changes of assumptions or other inputs	-	-
Benefits paid subsequent to measurement period	80,000	-
Total	\$ 120,536	\$ -

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 May 31	Total
2020	\$ 10,134
2021	10,134
2022	10,134
2023	10,134
2024	-
Thereafter	-
Total	\$ 40,536

4. Short-Term Debt

a. Bond Anticipation Notes

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

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

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

4. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

In June, 2017, the *City of Olean, New York* issued bond anticipation note 2017 in the amount of \$4,135,000. The note matured on June 14, 2018 and carried a 2.25% interest rate. The proceeds from this short-term issuance were utilized to refinance the bond anticipation note 2016.

In June, 2018, the *City of Olean, New York* issued bond anticipation note 2018 in the amount of \$6,024,215. The note matures 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 for the bike and pedestrian trail and walkable Olean capital projects..

In July, 2018, the *City of Olean, New York* issued bond anticipation note Farmers Market in the amount of \$1,250,000. The note matures on July 23, 2019 and carries a 3.25% interest rate. The proceeds from this short-term issuance were utilized for the Farmers Market capital project.

The City's bond anticipation notes outstanding as of May 31, 2019 are as follows:

Description	Amount	Interest Rate
Bond Anticipation Notes		
William O Smith Rec Center	\$ 3,925,000	2.75%
Bike and Pedestrian Trail	669,395	2.75%
Walkable Olean	1,429,820	2.75%
Farmers market	1,250,000	3.25%
Totals	<u>\$ 7,274,215</u>	

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, 2019 and 2018.

c. Short-Term Debt Interest

Interest expense on short term indebtedness totaled \$92,779 for the year ended May 31, 2019. That amount was transferred from the general fund to the debt service to pay interest expense on bond anticipation notes.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt

a. Debt Limit

At May 31, 2019 the total outstanding indebtedness of the City aggregated \$46,072,255 (including bond anticipation notes and revenue anticipation notes). Of this amount, \$12,833,515 is subject to the constitutional debt limit and represented approximately 27.86% of its statutory debt limit.

b. Serial Bonds

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

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.

In June, 2018, the *City of Olean, New York* issued serial bonds 2018 in the amount of \$500,000. The bond matures on June 1, 2024 and carries a 2.5-3.0% interest rate. The proceeds from this issuance were utilized to pay a portion of the settlement to a contractor for the North Union Street reconstruction project.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

c. Other Long-Term Debt

During the fiscal year ended May 31, 2002, the City recorded a long-term liability related to estimated future costs associated with a Department of Conservation's Order on Consent. This situation is more fully described in Note 4F 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. 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, 2019 of \$14,268, \$73,242, and \$7,609, respectively.

e. Summary Long-Term Debt

The following is a summary of bonds outstanding as of May 31, 2019:

	<u>Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding May 31, 2019</u>
General Fund					
Public Improvement Bond	08/10	870,000	Various	08/20	\$ 42,502
Deficit Financing Bond	08/10	1,444,070	Various	08/20	70,589
Public Improvement Bond	08/12	9,250,000	Various	08/33	6,890,000
Public Improvement Bond	06/17	4,984,000	Various	06/34	4,600,000
Judgement Bond	06/18	500,000	Various	06/24	500,000
Special Revenue Funds					
Water Filtration Plant-Ref.	10/12	2,060,000	Various	10/32	1,560,000
Water Filtration Plant	07/03	1,809,453	Various	07/23	540,000
Water Reservoir	07/03	4,665,163	Various	07/24	1,655,000
Water Filtration Plant	05/13	5,868,000	Various	08/38	4,255,000
Water Fund – Odor Control	08/09	339,190	4.70%	08/19	62,500
Water Fund – Deficit Financing Bond	08/10	327,940	Various	08/20	15,892
Sewer Fund –Various	08/09	580,000	Various	08/19	37,500
Sewer Fund – Catch Basin	08/10	585,000	Various	08/20	135,000
Sewer Fund – Deficit Financing Bond	08/10	227,990	Various	08/20	11,017
Sewer Fund – Public Imp	08/12	1,731,059	Various	08/33	1,205,000
Sewer Fund - SRF	09/17	3,250,000	Various	08/47	3,055,000
Sewer Fund - SRF	09/17	15,174,840	0%	02/47	14,163,040
Total					<u>\$ 38,798,040</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/Spreader. During the current fiscal year, principal and interest paid on this capital lease totaled approximately \$49,372. The General Fund paid principal and interest for the year ended May 31, 2019.

During the 2015-16 fiscal year, the *City of Olean, New York* entered into a 5-year capital lease with First Niagara Bank which totaled \$149,810. Equipment included in the lease agreement consisted of an International Model Plow/Spreader. Principal and interest were paid though the General Fund and amounted to \$31,534 during the fiscal year ended May 31, 2019.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

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, 2019:

	Balance at June 1, 2018	Additions	Reductions	Balance at May 31, 2019
Bonds	\$ 32,667,940	\$ 500,000	\$ 1,839,900	\$ 31,328,040
EFC Grid Note/Bond	1,650,000	-	90,000	1,560,000
EFC Grid Bond	1,900,000	-	245,000	1,655,000
RD Bond	4,415,000	-	160,000	4,255,000
Subtotal	<u>40,632,940</u>	<u>500,000</u>	<u>2,334,900</u>	<u>38,798,040</u>
Environmental Liability	125,000	-	-	125,000
Compensated Absences	259,845	2,164	-	262,009
Net pension liabilities	1,778,751	1,396,801	-	3,175,552
Other Post-Employment Benefits	872,362	-	53,170	819,192
Capital Leases	773,023	-	151,219	621,804
	<u>3,808,981</u>	<u>1,398,965</u>	<u>204,389</u>	<u>5,003,557</u>
	<u>\$ 44,441,921</u>	<u>\$ 1,898,965</u>	<u>\$ 2,539,289</u>	<u>\$ 43,801,597</u>

g. Long-Term Debt Interest

Interest expense on long term indebtedness totaled \$595,175 for the year ended May 31, 2019, all of which was recorded in the debt service fund and consisted of \$570,368 of interest on bonds and notes and \$24,807 on leases.

h. Maturity (continued)

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

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, 2019:

Year Ending May 31	Total	Principal	Interest
2020	\$ 2,973,201	\$ 2,420,900	\$ 552,301
2021	2,865,729	2,365,900	503,829
2022	2,714,568	2,248,740	465,828
2023	2,655,518	2,225,900	429,618
2024	2,669,522	2,270,900	398,622
2025-2029	11,177,295	9,634,500	1,542,795
2030-2034	8,764,693	8,059,500	705,193
2035-2039	4,747,076	4,484,500	262,576
2040-2044	3,237,714	3,159,500	78,214
2045-2047	1,944,101	1,927,700	16,401
Total	<u>\$43,749,417</u>	<u>\$ 38,798,040</u>	<u>\$ 4,955,377</u>

Year Ending May 31	Total	Principal	Interest
2020	\$ 176,033	\$ 155,405	\$ 20,628
2021	126,653	110,338	16,315
2022	95,119	82,319	12,800
2023	95,119	85,278	9,841
2024	95,119	88,344	6,775
2025	103,719	100,120	3,599
Total	<u>\$ 691,762</u>	<u>\$ 621,804</u>	<u>\$ 69,958</u>

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables and Transactions

Interfund receivables and payables at May 31, 2019 and interfund transactions during the fiscal year ended May 31, 2019 were as follows:

	Due From Other Funds	Due to Other Funds	Long-Term Advances Receivable	Long-Term Advances Payable	Interfund Revenue	Interfund Expenditures
General Fund	\$ 57,258	\$ 381,269	\$ 387,279	\$ -	\$ -	\$ 1,084,986
Capital Projects Fund	2,938,008	53,503	-	-	444,030	110,818
Agency Fund	-	8,586	-	-	-	-
Debt Service Fund	1,301,421	3,650,708	-	-	3,209,440	-
Sewer Fund	333,122	309,881	-	44,195	-	1,154,050
Water Fund	60,772	286,634	-	343,084	-	1,303,616
First Time Homebuyer	-	1,000	-	-	-	-
Housing Rehab Fund	1,000	-	-	-	-	-
Totals	<u>\$ 4,691,581</u>	<u>\$ 4,691,581</u>	<u>\$ 387,279</u>	<u>\$ 387,279</u>	<u>\$ 3,653,470</u>	<u>\$ 3,653,470</u>

During the current year, the General, Water, and Sewer and funds transferred \$894,249, \$1,091,116, and \$1,154,050 respectively to the Debt Service Fund to pay for the City's long-term debt obligations.

The Water and General funds also transferred \$212,500 and \$190,737, respectively to the City's Capital Projects fund for costs associated with vehicle replacement (\$105,000), property revaluation (\$25,000), police equipment (\$12,000), sidewalk replacement (\$21,782), playground reserve (\$7,858) stardust pump station (\$200,000), demolition of unsafe buildings (\$11,510), emergency cleanup (\$10,369), animal control (\$5,000), and the closing of older projects (\$4,718).

Lastly, the City transferred \$70,025 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, \$40,793 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.

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.

The City is involved in litigation regarding a previous capital project which is further described in Note 7.

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, 2019, 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. In the current year the City issued a supplemental appropriation of \$120,000 related to this project and incurred costs in the amount of approximately \$346,000.

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 Position 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 paid 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, 2019

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. The terms and amounts of tax abated in the current year are as follow:

Corporation	Term	Tax abated during the year ended May 31, 2019
Corporation A	2011-2026	\$ 5,567
Corporation B	2011-2026	2,201
Corporation C	2012-2027	4,569
Corporation D	2013-2028	58,413
Corporation E	2015-2030	2,717
Corporation F	2016-2031	1,501
Corporation G	2016-2031	2,627
		<u>\$ 77,595</u>

NOTE 6 – FUND BALANCE

1. Classification

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

Category/Fund	Description	May 31, 2019
Restricted:		
Debt Service	Reserve for debt service	<u>\$ 389,625</u>
Capital	Reserve for Capital	<u>\$ 1,711,257</u>
Assigned:		
General	Reserve for encumbrances	<u>\$ 129,920</u>
Water	Reserve for encumbrances	\$ 45,017
	Appropriated for next year’s budget	99,500
	Special Revenue Fund Balance	564,483
		<u>\$ 709,000</u>
Sewer	Reserve for encumbrances	\$ 102,000
	Appropriated for next year’s budget	209,682
	Special Revenue Fund Balance	1,950,352
		<u>\$ 2,262,034</u>
First Time Homebuyers	Special Revenue Fund Balance	<u>\$ 11,796</u>
Housing Rehab	Special Revenue Fund Balance	<u>\$ 8,388</u>
Revolving Loan	Special Revenue Fund Balance	<u>\$ 116,752</u>

NOTE 6 – FUND BALANCE (CONTINUED)

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, 2019
Recreation Center	\$ 3,171,257
Olean Creek Pedestrian Crossing	463,892
Walkable Olean	73,072
Farmers Market	538,088
	<u>\$ 4,246,309</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, 2019
Bradner Stadium Project	\$ 19,931
North Union Rehabilitation *	151,241
Third Street Project	5,215
Bradner Stadium Roof	651
	<u>\$ 177,038</u>

*This amount does not include the contingent liability as discussed in Note 7.

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.

On October 23, 2018, the contractor filed a second notice of petition 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. This matter is in the discovery phase. The City is disputing this claim and intends to vigorously defend its position.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended May 31, 2019 the City recorded a prior period adjustment in the amount of \$2,340,988 related proceeds that were received during the 2016-17 fiscal year related to the construction of the wastewater treatment plant that were previously reported as short-term loans rather than grant revenue. As a result, a prior period adjustment was recorded to increase beginning equity in the capital projects fund and beginning net position in the entity-wide financial statements as of June 1, 2017.

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 28, 2020, which is the date the financial statements were available to be issued.

In June, 2019, the *City of Olean, New York* issued bond anticipation note 2019 in the amount of \$2,099,215. The note will mature on June 11, 2020 and carries a 2.25% interest rate. The proceeds from this short-term issuance were utilized to refinance the bond anticipation note 2018.

In July 2019, the *City of Olean, New York* issued bonds in the amount of \$3,085,000. The bonds will mature in June 2031 and carry interest rates that range from 2%-2.25%. The proceeds from the bonds were utilized to term a portion of the bond anticipation notes issued in July 2018 that matured in July 2019.

SUPPLEMENTARY INFORMATION

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
GENERAL FUND
AS OF MAY 31, 2019 AND 2018

	May 31 2019	May 31 2018
Assets		
Cash on hand	\$ 1,525	\$ 1,525
Cash on deposit		
Regular accounts	7,736,836	7,826,090
Receivables		
Refuse and garbage	1,869	1,869
Special assessment	1,882	1,882
Accounts receivable	269,149	298,391
Due from other funds	57,258	28,517
Advances to other funds	387,279	223,124
State and federal	1,035,967	754,014
Total assets	\$ 9,491,765	\$ 9,135,412
Liabilities, Deferred Inflows of Resources and Fund Equity		
Liabilities		
Accounts payable	\$ 301,206	\$ 375,159
Accrued liabilities	394,922	242,309
Due to other funds	381,269	406,356
Due to employee retirement system	232,500	231,000
Other liabilities	24,959	21,904
Total liabilities	1,334,856	1,276,728
Deferred Inflows of Resources		
Taxes collected for subsequent year	5,437,821	5,457,251
Fund Equity		
Assigned	129,920	70,395
Unassigned	2,589,168	2,331,038
Total fund equity	2,719,088	2,401,433
	\$ 9,491,765	\$ 9,135,412

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY
GENERAL FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2019 AND 2018

Page 42

	May 31 2019	May 31 2018
Revenue		
Real property taxes	\$ 7,217,093	\$ 7,084,585
Special assessment tax - real property	14,006	13,011
Real property tax items	70,345	86,539
Non-property tax items	4,877,587	4,510,854
Departmental income	1,207,400	1,254,022
Intergovernmental charges	148,713	130,502
Use of money and property	9,705	6,761
Licenses and permits	100,651	44,324
Fines and forfeitures	47,088	52,438
Sales of property and compensation for loss	44,776	207
State aid	2,873,902	2,941,057
Federal aid	311,243	305,413
Total revenue	16,922,509	16,429,713
Expenditures		
General government support	2,268,579	2,339,602
Public safety	5,544,324	5,422,834
Health	57,105	104,041
Transportation	2,344,221	2,238,533
Economic development	1,900	1,900
Culture and recreation	975,600	864,379
Home and community services	164,698	172,705
Employee benefits	4,163,441	4,151,625
Total expenditures	15,519,868	15,295,619
Excess of revenue over expenditures	1,402,641	1,134,094
Other financing sources (uses)		
Operating transfers in	-	9,866
Operating transfers out	(1,084,986)	(1,591,225)
Total other financing sources (uses)	(1,084,986)	(1,581,359)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	317,655	(447,265)
Fund equity, beginning of year	2,401,433	2,848,698
Fund equity, end of year	\$ 2,719,088	\$ 2,401,433

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, 2019**

	<u>Community Development</u>					(Memo only) Total
	Water	Sewer	Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
Assets						
Cash on hand	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 40
Cash on deposit						
Regular accounts	426,854	1,327,624	118,907	7,388	12,761	1,893,534
Time deposits						
Receivables						
Accounts receivable	709,407	805,080	-	-	-	1,514,487
State and Federal receivable	256,219	262,448	-	-	-	518,667
Due from other funds	60,772	333,122	-	1,000	-	394,894
Revolving loans receivable	-	-	261,854	-	-	261,854
First Time Homebuyers loans receivable	-	-	-	-	73,724	73,724
Rehabilitation loans receivable	-	-	-	229	-	229
Other assets	-	-	-	-	35	35
Total assets	\$ 1,453,292	\$ 2,728,274	\$ 380,761	\$ 8,617	\$ 86,520	\$ 4,657,464
Liabilities						
Accounts payable	\$ 33,649	\$ 54,851	\$ 2,155	\$ -	\$ -	\$ 90,655
Accrued liabilities	52,147	36,480	-	-	-	88,627
Due to other funds	286,634	309,881	-	-	1,000	597,515
Advances from other funds	343,084	44,195	-	-	-	387,279
Due to employee retirement system	20,833	20,833	-	-	-	41,666
Other liabilities	7,945	-	-	-	-	7,945
Unearned revenue	-	-	261,854	229	73,724	335,807
Total liabilities	744,292	466,240	264,009	229	74,724	1,549,494
Fund Equity						
Assigned	709,000	2,262,034	116,752	8,388	11,796	3,107,970
Total fund equity	709,000	2,262,034	116,752	8,388	11,796	3,107,970
Total liabilities and fund equity	\$ 1,453,292	\$ 2,728,274	\$ 380,761	\$ 8,617	\$ 86,520	\$ 4,657,464

CITY OF OLEAN, NEW YORK
COMBINING STATEMENTS OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MAY 31, 2019

	Water	Sewer	Community Development			(Memo only) Total
			Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
Revenue						
Departmental income	\$ 3,648,278	\$ 3,567,953	\$ 86,935	\$ -	\$ 56,156	\$ 7,359,322
Intergovernmental charges	-	441,851	-	-	-	441,851
Use of money and property	-	-	63	-	18	81
Sales of property & compensation for loss	3,001	-	-	-	-	3,001
Total revenue	3,651,279	4,009,804	86,998	-	56,174	7,804,255
Expenditures						
General government support	76,576	62,405	-	-	-	138,981
Home and community services	1,895,259	2,401,723	82,288	-	74,992	4,454,262
Employee benefits	581,430	579,938	-	-	-	1,161,368
Total expenditures	2,553,265	3,044,066	82,288	-	74,992	5,754,611
Excess (deficiency) of revenue over expenditures	1,098,014	965,738	4,710	-	(18,818)	2,049,644
Other financing uses						
Operating transfers out	(1,303,616)	(1,154,050)	-	-	-	(2,457,666)
Total financing uses	(1,303,616)	(1,154,050)	-	-	-	(2,457,666)
Excess (deficiency) of revenue over expenditures and other financing uses	(205,602)	(188,312)	4,710	-	(18,818)	(408,022)
Fund equity, beginning of year	914,602	2,450,346	112,042	8,388	30,614	3,515,992
Fund equity, end of year	\$ 709,000	\$ 2,262,034	\$ 116,752	\$ 8,388	\$ 11,796	\$ 3,107,970

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF MAY 31, 2019 AND 2018

	May 31	May 31
	2019	2018
Assets		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	1,893,534	2,094,167
Accounts receivable	1,514,487	1,488,836
State and Federal receivable	518,667	459,140
Due from other funds	394,894	465,065
Revolving loans receivable	261,854	379,556
First time homebuyers loans receivable	73,724	79,747
Rehabilitation loans receivable	229	229
Other assets	35	-
Total assets	\$ 4,657,464	\$ 4,966,780
Liabilities		
Accounts payable	\$ 90,655	\$ 92,031
Accrued liabilities	88,627	33,728
Due to other funds	597,515	597,515
Advances from other funds	387,279	223,124
Due to employee retirement system	41,666	41,666
Other liabilities	7,945	3,192
Unearned revenue	335,807	459,532
Total liabilities	1,549,494	1,450,788
Fund Equity		
Assigned	3,107,970	3,515,992
Total fund equity	3,107,970	3,515,992
Total liabilities and fund equity	\$ 4,657,464	\$ 4,966,780

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, 2019 AND 2018

	May 31 2019	May 31 2018
Revenue		
Departmental income	\$ 7,359,322	\$ 7,398,047
Intergovernmental charges	441,851	329,564
Use of money and property	81	365
Sales of property and compensation for loss	3,001	4,264
Total revenue	7,804,255	7,732,240
Expenditures		
General government support	138,981	138,667
Home and community services	4,454,262	3,897,107
Employee benefits	1,161,368	1,177,760
Total expenditures	5,754,611	5,213,534
Excess of revenue over expenditures	2,049,644	2,518,706
Other financing sources (uses)		
Operating transfers in	-	39,139
Operating transfers out	(2,457,666)	(2,476,012)
Total other financing uses	(2,457,666)	(2,436,873)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(408,022)	81,833
Fund equity, beginning of year	3,515,992	3,434,159
Fund equity, end of year	\$ 3,107,970	\$ 3,515,992

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
WATER FUND
AS OF MAY 31, 2019 AND 2018

	May 31	May 31
	2019	2018
Assets		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	426,854	342,510
Accounts receivable	709,407	731,393
State and Federal receivable	256,219	229,570
Due from other funds	60,772	125,993
Total assets	\$ 1,453,292	\$ 1,429,506
Liabilities		
Accounts payable	\$ 33,649	\$ 38,044
Accrued liabilities	52,147	16,483
Due to other funds	286,634	286,634
Advances from other funds	343,084	149,718
Due to employee retirement system	20,833	20,833
Other liabilities	7,945	3,192
Total liabilities	744,292	514,904
Fund Equity		
Assigned	709,000	914,602
Total fund equity	709,000	914,602
Total liabilities and fund equity	\$ 1,453,292	\$ 1,429,506

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY – WATER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2019 AND 2018

	May 31 2019	May 31 2018
Revenue		
Departmental income	\$ 3,648,278	\$ 3,650,258
Sales of property and compensation for loss	3,001	4,264
Total revenue	3,651,279	3,654,522
Expenditures		
General government support	76,576	78,208
Home and community services	1,895,259	1,712,907
Employee benefits	581,430	595,285
Total expenditures	2,553,265	2,386,400
Excess of revenue over expenditures	1,098,014	1,268,122
Other financing sources (uses)		
Operating transfers in	-	34,139
Operating transfers out	(1,303,616)	(1,205,867)
Total other financing sources (uses)	(1,303,616)	(1,171,728)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(205,602)	96,394
Fund equity, beginning of year	914,602	818,208
Fund equity, end of year	\$ 709,000	\$ 914,602

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL – WATER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2019

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Departmental income	\$ 3,739,984	\$ 3,739,984	\$ 3,648,278	\$ -	\$ (91,706)
Sales of property and compensation for loss	-	-	3,001	-	3,001
Total revenue	3,739,984	3,739,984	3,651,279	-	(88,705)
Expenditures					
General government support	148,000	148,000	76,576	45,017	26,407
Home and community services	2,038,150	1,973,243	1,895,259	-	77,984
Employee benefits	614,200	614,200	581,430	-	32,770
Total expenditures	2,800,350	2,735,443	2,553,265	45,017	137,161
Excess (deficiency) of revenue over expenditures	939,634	1,004,541	1,098,014	(45,017)	48,456
Other financing sources (uses)					
Operating transfers out	(1,089,634)	(1,302,134)	(1,303,616)	-	(1,482)
Total other financing sources (uses)	(1,089,634)	(1,302,134)	(1,303,616)	-	(1,482)
Excess (deficiency) of revenue over expenditures and other financing uses	\$ (150,000)	\$ (297,593)	\$ (205,602)	\$ (45,017)	\$ 46,974

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SEWER FUND
AS OF MAY 31, 2019 AND 2018

	May 31 2019	May 31 2018
Assets		
Cash	\$ 1,327,624	\$ 1,598,064
Accounts receivable	805,080	757,443
Advances from other funds	262,448	229,570
Due from other funds	333,122	338,072
Total assets	\$ 2,728,274	\$ 2,923,149
Liabilities		
Accounts payable	\$ 54,851	\$ 51,438
Accrued liabilities	36,480	17,245
Advances from other funds	44,195	73,406
Due to other funds	309,881	309,881
Due to employee retirement system	20,833	20,833
Total liabilities	466,240	472,803
Fund Equity		
Assigned	2,262,034	2,450,346
Total fund equity	2,262,034	2,450,346
Total liabilities and fund equity	\$ 2,728,274	\$ 2,923,149

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY – SEWER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2019 AND 2018

	May 31 2019	May 31 2018
Revenue		
Departmental income	\$ 3,567,953	\$ 3,589,798
Intergovernmental charges	441,851	329,564
Total revenue	4,009,804	3,919,362
Expenditures		
General government support	62,405	60,459
Home and community services	2,401,723	2,059,663
Employee benefits	579,938	582,475
Total expenditures	3,044,066	2,702,597
Excess of revenue over expenditures	965,738	1,216,765
Other financing sources (uses)		
Operating transfers in	-	5,000
Operating transfers out	(1,154,050)	(1,270,145)
Total other financing uses	(1,154,050)	(1,265,145)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(188,312)	(48,380)
Fund equity, beginning of year	2,450,346	2,498,726
Fund equity, end of year	\$ 2,262,034	\$ 2,450,346

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL – SEWER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2019

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Departmental income	\$ 3,578,710	\$ 3,578,710	\$ 3,567,953	\$ -	\$ (10,757)
Intergovernmental charges	377,500	377,500	441,851	-	64,351
Total revenue	3,956,210	3,956,210	4,009,804	-	53,594
Expenditures					
General government support	137,000	137,000	62,405	-	74,595
Home and community services	2,181,050	2,305,965	2,401,723	102,000	(197,758)
Employee benefits	566,650	566,650	579,938	-	(13,288)
Total expenditures	2,884,700	3,009,615	3,044,066	102,000	(136,451)
Excess (deficiency) of revenue over expenditures	1,071,510	946,595	965,738	(102,000)	(82,857)
Other financing sources (uses)					
Operating transfers out	(1,141,621)	(1,141,621)	(1,154,050)	-	(12,429)
Total other financing uses	(1,141,621)	(1,141,621)	(1,154,050)	-	(12,429)
Excess (deficiency) of revenue over expenditures and other financing uses	\$ (70,111)	\$ (195,026)	\$ (188,312)	\$ (102,000)	\$ (95,286)

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
REVOLVING LOAN FUND
AS OF MAY 31, 2019 AND 2018

	May 31	May 31
	2019	2018
Assets		
Cash on deposit - Regular accounts	\$ 118,907	\$ 114,591
Rehabilitation loans receivable	261,854	379,556
Total assets	\$ 380,761	\$ 494,147
Liabilities		
Unearned revenue	\$ 261,854	\$ 379,556
Accounts Payable	2,155	2,549
Total liabilities	264,009	382,105
Fund Equity		
Assigned	116,752	112,042
Total fund equity	116,752	112,042
Total liabilities and fund equity	\$ 380,761	\$ 494,147

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, 2019 AND 2018

	May 31	May 31
	2019	2018
Revenue		
Departmental income	\$ 86,935	\$ 124,549
Use of money and property	63	363
Total revenue	86,998	124,912
Expenditures		
Home and community services	82,288	99,317
Total expenditures	82,288	99,317
Excess of revenue over expenditures and other uses	4,710	25,595
Fund equity, beginning of year	112,042	86,447
Fund equity, end of year	\$ 116,752	\$ 112,042

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
HOUSING REHABILITATION FUND
AS OF MAY 31, 2019 AND 2018

	May 31 2019	May 31 2018
Assets		
Cash on deposit - regular accounts	\$ 7,388	\$ 7,388
Due from other funds	1,000	1,000
Rehabilitation loans receivable	229	229
Total assets	\$ 8,617	\$ 8,617
Liabilities		
Unearned revenue	\$ 229	\$ 229
Total liabilities	229	229
Fund Equity		
Assigned	8,388	8,388
Total fund equity	8,388	8,388
Total liabilities and fund equity	\$ 8,617	\$ 8,617

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY – HOUSING REHABILITATION FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2019 AND 2018

	May 31 2019	May 31 2018
Revenue		
Departmental income	\$ -	\$ -
Total revenue	-	-
Expenditures		
Home and community services	-	-
Total expenditures	-	-
Excess of revenue over expenditures	-	-
Fund equity, beginning of year	8,388	8,388
Fund equity, end of year	\$ 8,388	\$ 8,388

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
FIRST TIME HOMEBUYERS FUND
AS OF MAY 31, 2019 AND 2018

	May 31	May 31
	2019	2018
Assets		
Cash on deposit - regular accounts	\$ 12,761	\$ 31,614
First time homebuyers loans receivable	73,724	79,747
Other assets	35	-
Total assets	\$ 86,520	\$ 111,361
Liabilities		
Unearned revenue	\$ 73,724	\$ 79,747
Due to other funds	1,000	1,000
Total liabilities	74,724	80,747
Fund Equity		
Assigned	11,796	30,614
Total fund equity	11,796	30,614
Total liabilities and fund equity	\$ 86,520	\$ 111,361

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, 2019 AND 2018

	<u>May 31</u> <u>2019</u>	<u>May 31</u> <u>2018</u>
Revenue		
Departmental income	\$ 56,156	\$ 33,442
Use of money and property	18	2
Total revenue	<u>56,174</u>	<u>33,444</u>
Expenditures		
Home and community services	<u>74,992</u>	<u>25,220</u>
Total expenditures	<u>74,992</u>	<u>25,220</u>
Excess (deficiency) of revenue over expenditures	(18,818)	8,224
Fund equity, beginning of year	<u>30,614</u>	<u>22,390</u>
Fund equity, end of year	<u>\$ 11,796</u>	<u>\$ 30,614</u>

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND
AS OF MAY 31, 2019 AND 2018

	May 31 2019	Restated May 31 2018
Assets		
Cash on deposit - regular accounts	\$ 1,502,814	\$ 753,722
Cash with fiscal agent	480,155	1,112,583
Due from Federal and State	64,726	353,220
Due from other funds	2,938,008	713,286
Total assets	\$ 4,985,703	\$ 2,932,811
Liabilities		
Accounts payable	\$ 370,075	\$ 589,944
Accrued liabilities	-	40,566
Due to other funds	53,503	77,452
Bond anticipation notes payable	7,274,215	4,135,000
Total liabilities	7,697,793	4,842,962
Fund Equity		
Restricted	1,711,257	1,436,466
Unassigned (deficit)	(4,423,347)	(3,346,617)
Total fund equity (deficit)	(2,712,090)	(1,910,151)
Total liabilities and fund equity	\$ 4,985,703	\$ 2,932,811

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, 2019 AND 2018

Page 60

	May 31 2019	May 31 2018
Revenue		
Use of money and property	\$ 878	\$ 259
Miscellaneous local sources	197,825	533,479
Federal aid	327,365	23,962
State aid	1,261,261	1,766,147
Total revenue	1,787,329	2,323,847
Expenditures		
General government support	365,826	413,394
Public safety	-	9,119
Transportation	1,072,124	1,789,107
Culture and recreation	671,294	367,918
Home and community services	1,523,236	6,418,429
Total expenditures	3,632,480	8,997,967
Deficiency of revenue over expenditures	(1,845,151)	(6,674,120)
Other financing sources (uses)		
Bond anticipation notes redeemed from appropriations	210,000	304,000
Proceeds from issuance of serial bonds - construction	500,000	23,408,840
Operating transfers in	444,030	1,071,263
Operating transfers out	(110,818)	(500,444)
Total other financing sources	1,043,212	24,283,659
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(801,939)	17,609,539
Fund equity (deficit), beginning of year	(1,910,151)	(21,860,678)
Prior Period Adjustment	-	2,340,988
Fund equity (deficit), end of year	\$ (2,712,090)	\$ (1,910,151)

CITY OF OLEAN, NEW YORK
BALANCE SHEET – CAPITAL PROJECTS FUND – BY PROJECT
AS OF MAY 31, 2019

Project Number	Description	Cash	Due from Federal & State	Due from/(to) Other Funds	Total Assets	Accounts Payable & Accrued Expenses	BAN's/ Notes Payable	Fund Equity (Deficit)	Total Liabilities & Fund Equity
29	CHIPS	\$ -	\$ 64,726	\$ -	\$ 64,726	\$ 64,726	\$ -	\$ -	\$ 64,726
101	Alarm	13,853	-	(12,818)	1,035	-	-	1,035	1,035
102	Vehicle replacement	142,558	-	-	142,558	-	-	142,558	142,558
103	Police Equipment Replacement	42,356	-	-	42,356	-	-	42,356	42,356
118	Ambulance reserve	89,298	-	2,102	91,400	-	-	91,400	91,400
119	OATS Bus Reserve	117,409	-	(14,888)	102,521	-	-	102,521	102,521
123	Catch basin disconnect project	136,607	-	-	136,607	-	-	136,607	136,607
132	Parking lot maintenance program	668	-	-	668	-	-	668	668
146	Airport Master Plan	58,993	-	-	58,993	22,400	-	36,593	58,993
150	Sidewalk Improvement Reserve	52,000	-	-	52,000	11,373	-	40,627	52,000
161	Other Miscellenous Reserves	575	-	-	575	-	-	575	575
163	Waste Water Treatment Plant Master Plan	431,931	-	-	431,931	-	-	431,931	431,931
165	Bradner Stadium Project	-	-	(19,931)	(19,931)	-	-	(19,931)	(19,931)
167	North Union Street Rehabilitation	(197,019)	-	53,278	(143,741)	7,500	-	(151,241)	(143,741)
169	Olean Creek Pedestrian Crossing	65,564	-	144,184	209,748	4,245	669,395	(463,892)	209,748
170	Property Reevaluation	50,000	-	-	50,000	-	-	50,000	50,000
171	York St./Prospect Ave.	-	-	284,106	284,106	-	-	284,106	284,106
173	Ice Resurfacer	-	-	9,153	9,153	-	-	9,153	9,153
175	Recreation Center	700,000	-	61,098	761,098	7,355	3,925,000	(3,171,257)	761,098
176	Allegany River Development	41,305	-	-	41,305	-	-	41,305	41,305
177	Demolition of Unsafe Buildings	39,407	-	-	39,407	-	-	39,407	39,407
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
187	Playground Reserve	28,364	-	-	28,364	-	-	28,364	28,364
188	Walkable Olean	-	-	1,362,964	1,362,964	6,216	1,429,820	(73,072)	1,362,964
189	Farmers Market	-	-	958,172	958,172	246,260	1,250,000	(538,088)	958,172
190	Stardust Pump Station	153,731	-	-	153,731	-	-	153,731	153,731
191	Tree Program	10,369	-	-	10,369	-	-	10,369	10,369
192	TNBR Cat Program	5,000	-	-	5,000	-	-	5,000	5,000
Totals		\$ 1,982,969	\$ 64,726	\$ 2,884,505	\$ 4,932,200	\$ 370,075	\$ 7,274,215	\$ (2,712,090)	\$ 4,932,200

CITY OF OLEAN, NEW YORK
SCHEDULE OF EXPENDITURES -
CAPITAL PROJECTS FUND – BY PROJECT
FOR THE FISCAL YEARS ENDED MAY 31, 2019 AND 2018

<i>Project</i>	May 31 2019	May 31 2018
CHIPS	\$ 603,202	\$ 669,838
Landfill	-	57,292
City Alarm	4,163	11,095
Vehicle Replacement	236,917	285,111
Fire Arson Equipment	-	11,471
Dispatch Project	-	2,212
Police Equipment Replacement Reserve	5,745	43,102
Ambulance Reserve	143,231	-
OATS Bus Reserve	31,835	-
Water Filtration Plant	-	34,139
Catch Basin Disconnect	70,025	141,935
Parking Lot Maintenance Reserve	19,244	27,985
Parking Lots Repaving	-	51,629
Telephone System	-	4,000
Airport Master Plan	284,200	50,000
Sidewalk Improvement Reserve	14,748	4,832
Waste Water Plant Belt Press Reserve	-	5,000
Traffic Signal Upgrade	-	17,000
Rec Center Compressor Reserve	10,624	6,476
Brownfield Opportunity Areas Program	3,220	-
Waste Water Treatment Plant Master Plan	609,268	3,145,714
Bradner Stadium Project	-	24,157
North Union Street Rehabilitation	20,098	1,033,571
Homer Street Playground	-	500
Olean Creek Pedestrian Crossing	529,456	94,991
York St./Prospect Ave.	8,690	18,752
Ladder Truck	-	7,034
Ice Resurfacers	-	847
Recreation Center	182,208	3,055,549
Allegheny River Development	-	42,642
Demolition of Unsafe Buildings	35,174	52,691
Third Street Project	-	145,351
Bradner Stadium Project	-	629
IT Upgrade	-	1,415
Zombie Grant	73,242	26,243
John J Ash Building - Floor Replacement	4,680	32,400
Oak Hill Park Steps	-	161,442
Little League Fields	15,145	200,000
Tree Pruning and Removal	9,584	31,366
OATS Bus	128,626	-
Playground Reserve	42,544	-
Walkable Olean	73,072	-
Farmer's Market	538,088	-
Stardust Pump Station	46,269	-
	\$ 3,743,298	\$ 9,498,411

**CITY OF OLEAN, NEW YORK
 COMPARATIVE BALANCE SHEETS
 DEBT SERVICE FUND
 AS OF MAY 31, 2019 AND 2018**

	May 31 2019	May 31 2018
Assets		
Cash on deposit		
Restricted regular accounts	\$ 2,738,912	\$ 613,778
Due from other funds	1,301,421	548,614
Total assets	\$ 4,040,333	\$ 1,162,392
Liabilities		
Due to other funds	\$ 3,650,708	\$ 665,573
Total liabilities	3,650,708	665,573
Fund Equity		
Restricted	389,625	496,819
Total fund equity	389,625	496,819
Total liabilities and fund equity	\$ 4,040,333	\$ 1,162,392

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, 2019 AND 2018

	May 31	May 31
	2019	2018
Revenue		
Use of money and property	\$ 3,782	\$ 385
Premiums on obligations	80,804	65,199
Total revenue	84,586	65,584
Expenditures		
General government support	17,147	-
Debt service:		
Principal	2,696,119	2,747,080
Interest	687,954	715,481
Total expenditures	3,401,220	3,462,561
Deficiency of revenue over expenditures	(3,316,634)	(3,396,977)
Other financing sources		
Operating transfers in	3,209,440	3,447,413
Total other financing sources	3,209,440	3,447,413
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(107,194)	50,436
Fund equity, beginning of year	496,819	446,383
Fund equity, end of year	\$ 389,625	\$ 496,819

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
AGENCY FUND
AS OF MAY 31, 2019 AND 2018

	May 31		May 31
	2019		2018
Assets			
Cash on deposit			
Regular accounts	\$ 75,215	\$	129,115
Restricted accounts	209,597		204,218
Total assets	\$ 284,812	\$	333,333
Liabilities			
Due to other funds	\$ 8,586	\$	8,586
Other liabilities	276,226		324,747
Total liabilities	\$ 284,812	\$	333,333

CITY OF OLEAN, NEW YORK
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND BALANCES – AGENCY FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2019

	Balance				Balance
	June 1, 2018	Receipts	Disbursements		May 31, 2019
Hospitalization	\$ 15,743	\$ 461,526	\$ 476,198	\$	1,071
Charity - United Way	99	234	234		99
Guarantee & Bid Bonds	500	-	-		500
R Patti Concrete	4,000	-	4,000		-
Tree Cut Tree Service Inc.	2,500	1	2,501		-
Guarantee & Bid Bonds	750	1,500	750		1,500
Building Improvement Fund-HDCP	459	-	-		459
Children's Memorial Flower Grdn	15	-	-		15
Stadium Renovations / Donations	1,398	-	1,336		62
Y&R St. John's	8,752	1,000	9,700		52
Mayor's Cup Golf Tournament	1,981	300	500		1,781
Bike Auction	408	1,423	1,800		31
Neighborhood Preservation	400	-	-		400
Miscellaneous Recreation	15,145	7,840	19,950		3,035
Clerk Sales	1,354	-	-		1,354
Bartlett House Donations	25,098	3,125	3,798		24,425
Bartlett House Donations	11,601	-	-		11,601
Bartlett House Fund Raising	-	7,210	3,400		3,810
Senior Center Donations	-	3,836	3,351		485
Police Drugs Donations	13,771	13,496	17,305		9,962
Youth Programs Donations	57	-	-		57
Youth Court Donations	6,085	-	46		6,039
Tree Program	616	262	398		480
Interest & Service Charges	203	198	-		401
Personnel	1,039	408	519		928
Fire Equipment Donations	17,142	4,147	14,471		6,818
Flexible Spending Account	(8,586)	-	-		(8,586)
Medical Savings Account	164,630	146,125	126,682		184,073
Payroll Account	38,399	11,643,452	11,657,164		24,687
Special Account	1,188	19,705	20,206		687
Totals	\$ 324,747	\$ 12,315,788	\$ 12,364,309	\$	276,226

CITY OF OLEAN, NEW YORK
SCHEDULE OF CHANGES IN THE CITY'S
NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED MAY 31, 2019 AND 2018

As of the measurement date of June 1,	2018	2017
Total OPEB Liability		
Service cost	\$ -	\$ -
Interest	27,268	27,268
Differences between expected and actual experience	-	50,670
Changes in assumptions	-	-
Benefit payments	(80,438)	(78,942)
Net change in total OPEB liability	(53,170)	(1,004)
Total OPEB liability - beginning	872,362	21,855
Prior period adjustment	-	851,511
Total OPEB liability - ending	\$ 819,192	\$ 872,362
 Plan fiduciary net position		
Contributions - employer	\$ 80,438	\$ 78,942
Net investment income	-	-
Benefit payments	(80,438)	(78,942)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	\$ -	\$ -
 District's net OPEB liability	\$ 819,192	\$ 872,362
 Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
 Covered-employee payroll	\$ -	\$ -
 District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: None

Note: Actuarial update was not performed for the fiscal year ended May 31, 2019.

CITY OF OLEAN, NEW YORK
SCHEDULE OF CITY CONTRIBUTIONS - OPEB
FOR THE YEARS ENDED MAY 31, 2019 and 2018

For the year ended June 30,	2019	2018
Actuarially determined contributions	\$ 80,438	\$ 78,942
Contributions in relation to the actuarially determined contribution	(80,438)	(78,942)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ -	\$ -
Contributions as a percentage of District's covered-employee payroll	N/A	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

Note: Actuarial update was not performed for the fiscal year ended May 31, 2019.

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 THROUGH MAY 31, 2019

New York State Employees' Retirement System - Net Pension Liability

As of the measurement date of March 31,	2019	2018	2017	2016	2015	2014	2013
City's proportion of the net pension liability	0.0164658%	0.0170202%	0.0165225%	0.0173084%	0.0163295%	n/a	n/a
City's proportionate share of the net pension liability	\$ 1,166,651	\$ 549,318	\$ 1,552,496	\$ 2,778,045	\$ 551,651	\$ 737,908	n/a
City's covered-employee payroll	\$ 4,171,757	\$ 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 as a percentage of its covered employee payroll	27.97%	13.01%	37.78%	66.33%	13.42%	17.96%	n/a
Plan fiduciary net position as a percentage of the total pension liability	96.27%	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,	2019	2018	2017	2016	2015	2014	2013
City's proportion of the net pension liability	0.1197868%	0.1216349%	0.1259500%	0.1201234%	0.1198443%	n/a	n/a
City's proportionate share of the net pension liability	\$ 2,008,901	\$ 1,229,433	\$ 2,610,506	\$ 3,556,599	\$ 329,883	\$ 498,923	n/a
City's covered-employee payroll	\$ 4,683,575	\$ 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 as a percentage of its covered employee payroll	42.89%	26.71%	54.86%	80.94%	7.04%	11.27%	n/a
Plan fiduciary net position as a percentage of the total pension liability	95.09%	96.93%	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 THROUGH MAY 31, 2019

New York State Employees' Retirement System

For the year ended March 31,	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 568,438	\$ 592,035	\$ 598,107	\$ 752,381	\$ 750,021	\$ 768,156	\$ 736,645
Contributions in relation to the contractually required contribution	(568,438)	(592,035)	(598,107)	(752,381)	(750,021)	(768,156)	(736,645)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,171,757	\$ 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	13.63%	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,	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 1,046,909	\$ 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	(1,046,909)	(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	\$ 4,683,575	\$ 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	22.35%	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, 2019

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Receivable 5/31/2018	Total Received	Revenue	Expenditures	Receivable 5/31/2019
<u>United States Department of Transportation</u>								
Airport Improvement Program - APMS	20.106	FAA AIP 3-36-0091-24-2018 NYS DOT PIN 5904.54	\$ 59,800	\$ -	\$ 4,050	\$ 4,050	\$ 4,050	\$ -
Airport Improvement Program - Perimeter Fence Replacement*	20.106	FAA AIP 3-36-0091-23-2017 PIN 5904.53	298,950	-	226,905	226,905	226,905	-
Operating Assistance - Section 5311	20.509	NYS DOT 5794.23.401	311,243	-	311,243	311,243	311,243	-
Capital Assistance - Section 5311	20.509	NYS DOT 5794.07.301	88,163	-	88,163	88,163	88,163	-
Equipment Assistance - Section 5311	20.205	NYS DOT 5794.09.301	8,247	-	8,247	8,247	8,247	-
Subtotal U.S. Department of Transportation			766,403	-	638,608	638,608	638,608	-
Total			\$ 766,403	\$ -	\$ 638,608	\$ 638,608	\$ 638,608	\$ -

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 2018-19 fiscal year in accordance with Uniform Guidance.



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

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *City of Olean, New York* as of and for the year ended May 31, 2019, 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 28, 2020.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items II.A.2019-001, II.A.2019-002 and II.A.2019-003 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 28, 2020**

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.2019-001, II.A.2019-002 and II.A.2019-003 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, 2019, 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, 2019

2019-001 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 revenues, and converting to the full accrual method for GASB 34 purposes. Also, during the current year, there was a prior period adjustment made to correct previously reported balances in the capital project fund and government-wide statements. 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. Without this assistance, the potential risk exists of the City's financial statements not conforming with GAAP.

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.

2019-002 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.

2019-003 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.

II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

A. Internal Control over Financial Reporting (continued)

2019-003 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 2020. Once drafted, the Audit and Compliance Committee intends to review 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 2020. Once drafted, the Audit and Compliance Committee intends to review 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 2020. Once drafted, the Audit and Compliance Committee intends to review policy, prior to its acceptance by the Common Council.

B. Compliance and Other Matter

Year Ended May 31, 2019

There are no findings related to compliance are being reported upon during the fiscal year ended May 31, 2019.

I. 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

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, 2019, as identified as finding 2019-001.

2018-002 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, 2019, as identified as finding 2019-002.

2018-003 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, 2019, as identified as finding 2019-003. The City implemented one component of the auditor's recommendations (Pending or Threatened Litigation) during the current year.

B. Compliance and Other Matters

Year Ended May 31, 2018

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

CITY OF OLEAN, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2019

<u>PROGRAM TITLE</u>	<u>NYSDOT CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Airport Improvement Program	PIN 5904.53, 5904.54	\$ 314,835
Operating Assistance - Section 5311	PIN 5794.23.401	311,243
Equipment Assistance - Section 5311	PIN 5794.23.301	8,247
Capital Assistance - Section 5311	PIN 5794.07.301	128,626
Consolidated Highway Improvement Program (CHIPS)	N/A	<u>603,202</u>
TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDED		<u>\$ 1,366,153</u>

Note 1 - Basis of Presentation

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

GENERAL

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

BASIS OF ACCOUNTING

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

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

INDIRECT COSTS

There are no indirect costs associated with these programs.

MATCHING COSTS

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

AMOUNTS PAID TO SUBRECIPIENTS

There were no amounts paid to subrecipients during the fiscal year ended May 31, 2019.



**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, 2019. 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, 2019.

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.2019-001, I.2019-002 and I.2019-003 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, 2019, and have issued our report thereon dated February 28, 2020. 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.

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 28, 2020**

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2019

Summary of Audit Results:

Internal control over state transportation assistance expended:

- Material weaknesses identified Findings I.2019-001, I.2019-002 and I.2019-003.
- 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, 2019

Page 83

I. Internal Control Over State Transportation Assistance Expended

2019-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year Ended May 31, 2019

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 revenues, and converting to the full accrual method for GASB 34 purposes. Also, during the current year, there was a prior period adjustment made to correct previously reported balances in the capital project fund and government-wide statements. 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. Without this assistance, the potential risk exists of the City's financial statements not conforming with GAAP.

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.

2019-002 Reconciliation of General Ledger and Capital Projects

Year Ended May 31, 2019

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, 2019

Page 84

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

2019-003 Capital Projects - Internal Controls

Year Ended May 31, 2019

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 2020. 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 2020. 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 2020. 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, 2019

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

Year Ended May 31, 2018

2018-001 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, 2019, as identified as finding 2019-001.

2018-002 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, 2019, as identified as finding 2019-002.

2018-003 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, 2019, as identified as finding 2019-003. The City implemented one component of the auditor's recommendations (Pending or Threatened Litigation) during the current year.



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

Ladies and Gentlemen:

We have completed our 2018-19 audit of the City's financial statements and have issued our reports thereon dated February 28, 2020. Our audit report expressed an unmodified 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, 2019, 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 28, 2020**

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, 2019. 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.

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 \$519,000 which will be received in March of 2020. 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.

Water and Sewer Fund Billing

During our audit, it was discovered that bills related to Water and Sewer usage were improperly calculated causing large variances that needed to be manually corrected. City officials were able to correct the billings before they went out. Due to the scrutiny surrounding the Water and Sewer bills we recommend that the City consider implementing process that would ensure that manual corrections are not needed. In addition a documented independent review of the bills prior to their issuance would mitigate the risk that misstated bills were issued.

Future Governmental Accounting Standards

GASB 84 – Fiduciary Activities

In 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities, which will be effective for the fiscal year ending May 31, 2020. This new standard's objective is to improve the guidance regarding the identification and reporting of fiduciary activities and focuses on the source of the revenue and control over activity assets. One of the characteristics of a fiduciary activity as defined by the standard are that the assets are for the benefit of individuals and the City does not have administrative involvement with the assets or direct financial involvement with the assets. Governmental entities will be required to evaluate activity currently recorded in the trust and agency fund. Those activities that do not meet the fiduciary definition will be required to be reported in the governmental funds, either in the general fund or special revenue fund. The change also affects how certain fiduciary activities, custodial funds, are reported by requiring additions and subtractions to be included on the Statement of Changes in Fiduciary Net Position. We recommend the City review the new fiduciary activity standard to ensure proper adherence.

GASB 87- Accounting for Leases

In 2017, the Governmental Accounting Standards Board issued Statement No. 87, Accounting for Leases, which will be effective for the fiscal year ending May 31, 2021. The primary objective of this is new standard is to bring most leases onto the balance sheet. The goal is to determine if any operating leases contain a right-to-use asset and record an asset and liability related to that lease. Also under the new standard there will be changes in the terms used for the two classifications; operating leases and finance leases (previously capital leases) and additional financial statement disclosures. We recommend that the City begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new lease standard, which may include continuing education, webinars and further training.

STATISTICAL SECTION

City of Olean

General Governmental Expenditures by Function

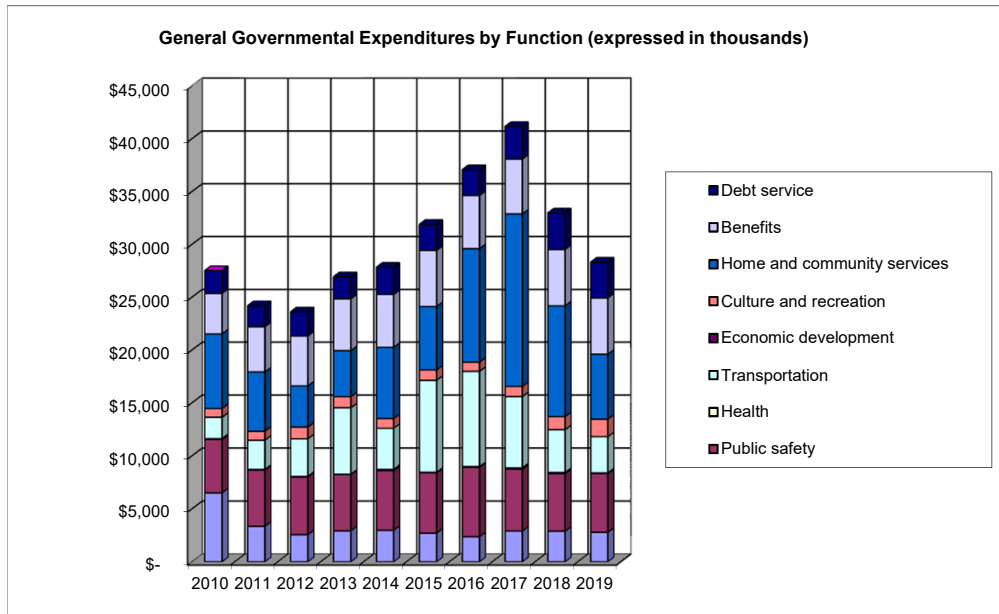
Governmental Funds(excludes bond refunding and interfund transfers)

Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Function</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>	<u>2019</u>
General government support	\$ 6,504	\$ 3,359	\$ 2,564	\$ 2,923	\$ 2,980	\$ 2,717	\$ 2,377	\$ 2,910	\$ 2,892	\$ 2,791
Public safety	5,036	5,303	5,447	5,310	5,618	5,678	6,551	5,843	5,432	5,544
Health	86	59	55	33	122	53	55	115	104	57
Transportation	2,002	2,752	3,540	6,252	3,879	8,682	8,994	6,709	4,028	3,416
Economic development	15	-	-	15	-	-	15	15	2	2
Culture and recreation	817	845	1,106	1,043	915	982	860	960	1,232	1,647
Home and community services	7,065	5,601	3,884	4,354	6,743	6,004	10,746	16,326	10,488	6,142
Benefits	3,828	4,282	4,724	4,906	5,006	5,309	5,025	5,192	5,329	5,325
Debt service	2,151	1,984	2,289	2,093	2,567	2,459	2,442	3,088	3,463	3,384
Total	\$ 27,504	\$ 24,185	\$ 23,609	\$ 26,929	\$ 27,830	\$ 31,884	\$ 37,065	\$ 41,158	\$ 32,970	\$ 28,308

Source: City of Olean Annual Report (2010-2019)



General Governmental Revenues by Source

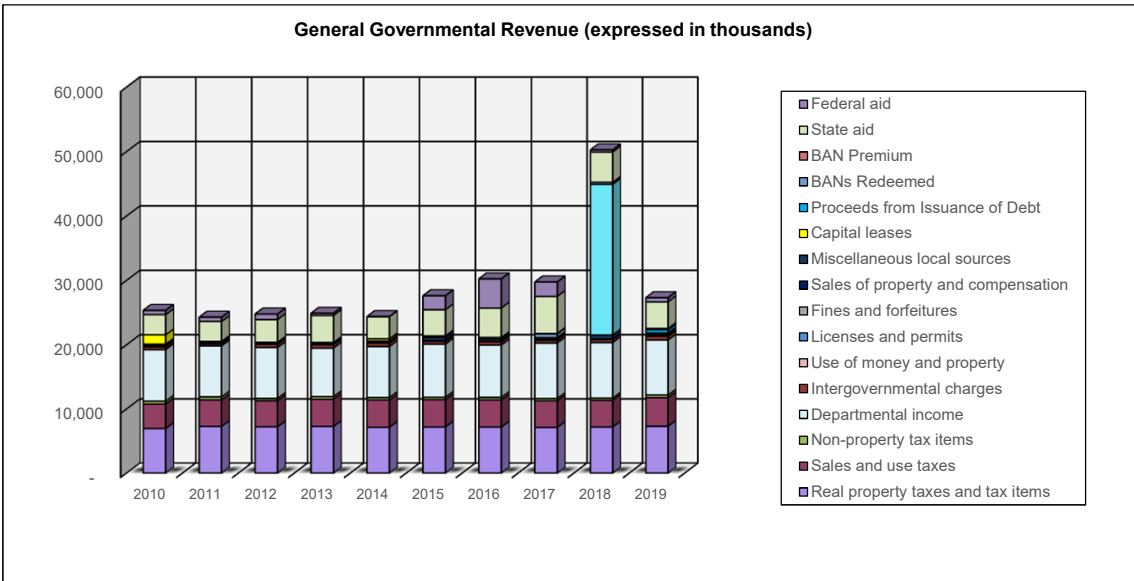
Governmental Funds(excludes bond refunding and interfund transfer)

Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Source</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>	<u>2019</u>
Real property taxes and tax items	\$ 6,953	\$ 7,284	\$ 7,211	\$ 7,278	\$ 7,150	\$ 7,192	\$ 7,187	\$ 7,120	\$ 7,184	\$ 7,301
Sales and use taxes	3,822	4,142	4,087	4,249	4,255	4,264	4,226	4,155	4,178	4,467
Non-property tax items	450	455	364	401	398	380	396	357	333	411
Departmental income	8,023	7,946	7,919	7,558	7,933	8,276	8,148	8,647	8,652	8,567
Intergovernmental charges	416	286	481	523	538	413	498	441	460	591
Use of money and property	44	36	29	19	10	7	6	8	8	14
Licenses and permits	38	62	47	47	41	41	54	64	44	101
Fines and forfeitures	131	90	94	82	73	63	44	49	53	47
Sales of property and compensation	83	13	5	14	13	26	19	13	4	48
Miscellaneous local sources	126	221	155	182	200	476	346	250	599	279
Capital leases	1,458	-	-	-	324	236	150	-	-	-
Proceeds from Issuance of Debt	-	-	-	-	-	-	-	-	23,409	500
BANs Redeemed	-	-	-	-	-	-	-	601	304	210
BAN Premium	-	-	-	-	-	-	60	58	-	-
State aid	3,130	3,082	3,528	4,204	3,424	4,077	4,578	5,757	4,707	4,135
Federal aid	667	658	856	339	21	2,159	4,524	2,229	329	638
	<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>	<u>\$ 27,309</u>

Source: City of Olean Annual Report (2010-2019)



Fund Balance History

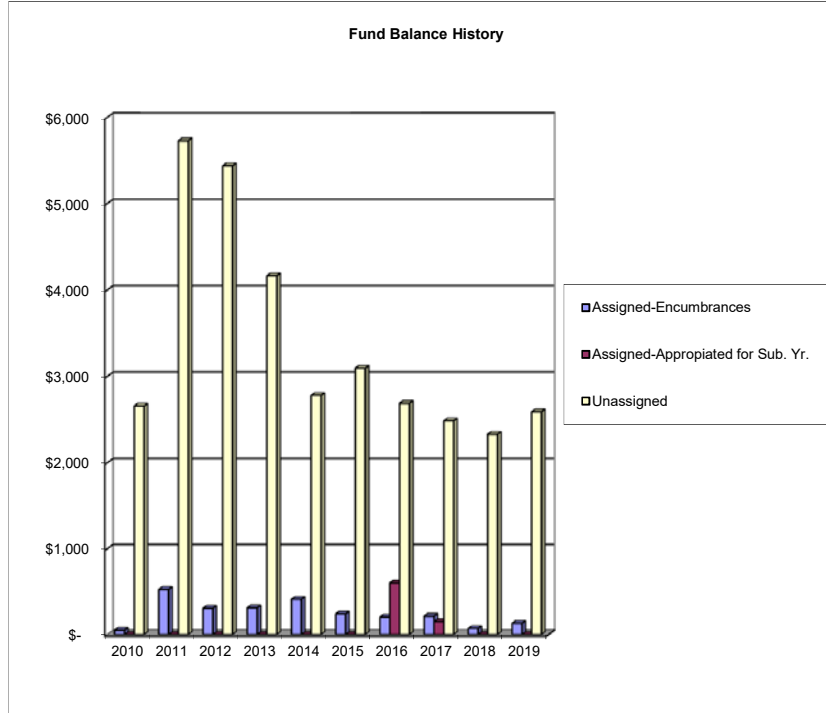
General Fund

Last Ten Fiscal Years

(amounts expressed in thousands)

Source

	<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>	<u>2019</u>
Assigned-Encumbrances	\$ 49	\$ 525	\$ 307	\$ 312	\$ 411	\$ 239	\$ 202	\$ 213	\$ 70	\$ 130
Assigned-Appropriated for Sub. Yr.	-	-	-	-	-	-	602	150	-	-
Unassigned	2,658	5,728	5,437	4,164	2,780	3,095	2,690	2,486	2,331	2,589
Total	<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>	<u>\$ 2,719</u>



Source: City of Olean Annual Report (2010-2019)

**Assessed and Equalized Full Value of Taxable Property
Last Ten Fiscal Years**

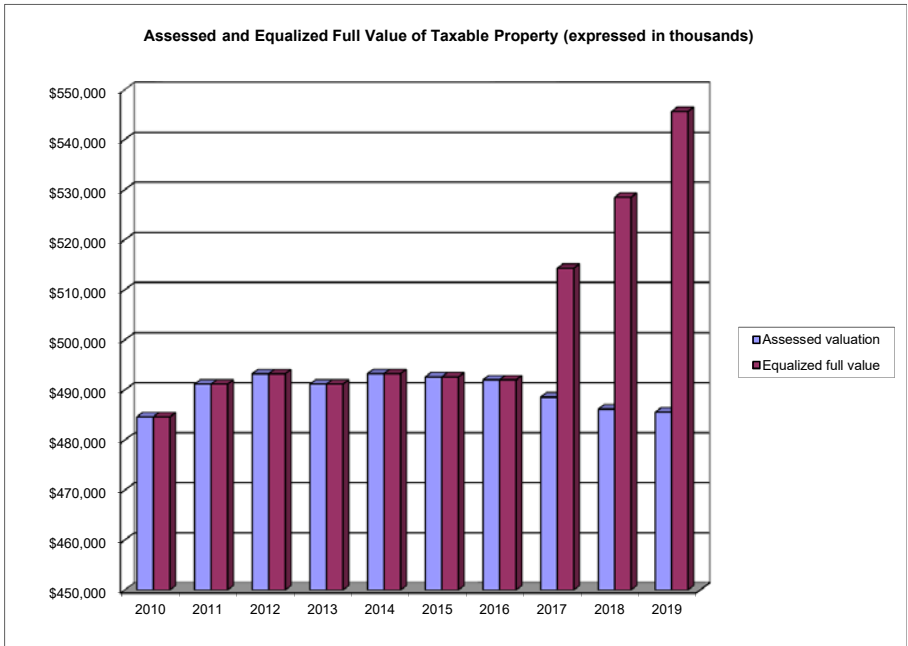
(amounts expressed in thousands)

<u>Source</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>	<u>2019</u>
Assessed valuation	\$484,646	\$491,202	\$493,281	\$491,211	\$493,323	\$492,635	\$492,053	\$488,611	\$486,214	\$485,604
Equalized full value	484,646	491,202	493,281	491,211	493,323	492,635	492,053	514,327	528,494	545,622
Ratio: Assessed value to equalized full value	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>95.00%</u>	<u>92.00%</u>	<u>89.00%</u>

Notes:

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

Source: City of Olean Annual Report (2010-2019)



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

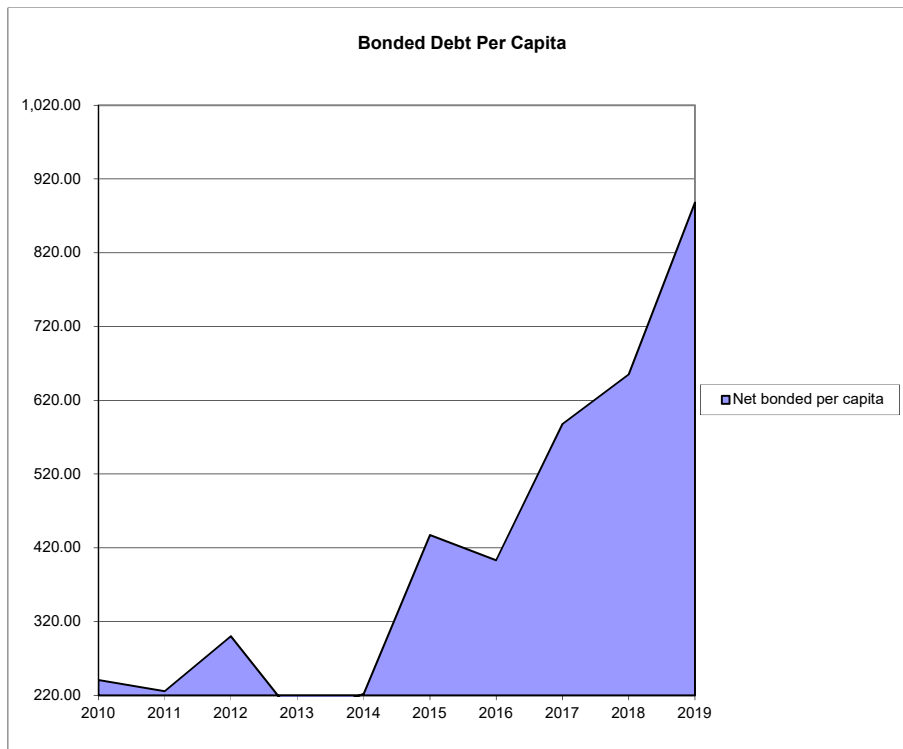
Last Ten Fiscal Years

Source	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net bonded per capita	240.76	225.57	300.03	186.62	222.25	437.31	403.13	587.67	655.07	887.97
Population	15,347	14,452	14,452	14,452	14,452	14,452	14,452	14,452	14,452	14,452
Assessed value (000)	48,465	49,120	49,328	49,121	49,332	49,264	49,205	51,433	52,849	54,562
Gross bonded debt (000)	30,584	29,052	27,433	26,106	24,405	28,532	32,244	44,436	44,768	46,072
Less: self-supporting debt (000)	26,889	25,792	23,097	23,409	21,193	22,212	26,418	35,943	35,301	33,239
Net bonded debt (000)	3,695	3,260	4,336	2,697	3,212	6,320	5,826	8,493	9,467	12,833
Ratio of net bonded debt to assessed value	<u>7.62%</u>	<u>6.64%</u>	<u>8.79%</u>	<u>5.49%</u>	<u>6.51%</u>	<u>12.83%</u>	<u>11.84%</u>	<u>16.51%</u>	<u>17.91%</u>	<u>23.52%</u>

Notes:

Self-supporting debt includes sewer and water related debt

Sources: Population (2010) were obtained from the 2000 census
 Population (2011-2019) were obtained from the 2010 census
 Assessed value amounts were obtained via the City Assessor's office.
 Debt amounts were obtained via the City Debt Schedule's 2010-2019



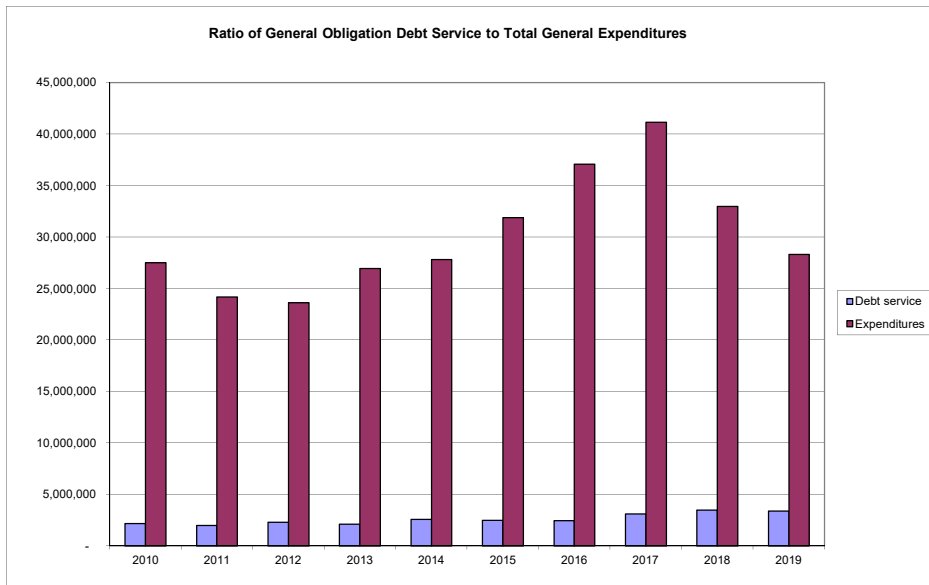
Ratio of General Obligation Debt Service to
Total General Expenditures

Last Ten Fiscal Years

Source	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt service	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	3,384,000
Expenditures	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	28,308,000
Ratio of general debt service to total general expenditures	7.82%	8.20%	9.70%	7.77%	9.22%	7.71%	6.59%	7.50%	10.50%	11.95%

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.



<u>Taxpayer</u>	<u>Type of Business</u>	<u>Estimated Equalized Full Value</u>	<u>Percentage of Equalized Full Value</u>
Park Centre Development	Real Estate	\$ 16,999,330	3.31%
National Grid	Public Utility	15,850,054	3.08%
NYS Electric & Gas	Public Utility	13,481,000	2.62%
Indeck-Olean LP	Public Utility	11,910,112	2.32%
Zraj Olean, LLC	Retail	6,974,157	1.36%
Siemens Corporation	Manufacturing	6,748,764	1.31%
2501 West State St Co. LLC	Grocery/Retail	6,741,573	1.31%
Cutco Cutlery Corporation	Manufacturing	5,673,708	1.10%
Olean Medical Properties	Health Care	4,805,393	0.93%
Olean Holdings LLC	Manufacturing	4,747,191	0.92%
Total		\$ 93,931,282	18.26%

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.

Source: Amounts were obtained via the City Assessor's office.

