

CITY OF OLEAN, NEW YORK

***FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION***

***FOR THE
FISCAL YEAR ENDED MAY 31, 2013
WITH INDEPENDENT AUDITORS' REPORT***

CITY OF OLEAN, NEW YORK

MAY 31, 2013

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis | 3-10 |
| Government-wide Financial Statements | |
| Statements of Net Position | 11 |
| Statements of Activities..... | 12 |
| Financial Statements | |
| Combined Balance Sheets - All Governmental Funds..... | 13 |
| Combined Statements of Revenue, Expenditures and Changes in Fund Equity - All Governmental Funds..... | 14 |
| Statement of Revenue and Expenditures Budget and Actual – General Fund..... | 15 |
| Statement of Revenue and Expenditures Budget and Actual – Special Revenue Funds..... | 16 |
| Statement of Revenue and Expenditures Budget and Actual-Debt Service Fund..... | 17 |
| Statements of Net Position-Fiduciary Fund..... | 18 |
| Reconciliation of Governmental Balance Sheet to the Statement of Net Position..... | 19 |
| Reconciliation of Governmental Funds Revenue, Expenditures and Changes in Fund Equity to the Statement of Activities..... | 20 |
| Notes to the Financial Statements | 21-38 |
| Supplementary Information | |
| General Fund | |
| Comparative Balance Sheets – General Fund..... | 39 |
| Comparative Statements of Revenues, Expenditures And Changes In Fund Equity – General Fund..... | 40 |
| Special Revenue Funds | |
| Combining Balance Sheet – All Special Revenue Funds..... | 41 |
| Combining Schedule of Revenues, Expenditures And Changes In Fund Equity – All Special Revenue Funds..... | 42 |
| Comparative Balance Sheets – Special Revenue Funds..... | 43 |
| Comparative Statements of Revenues, Expenditures And Changes In Fund Equity – Special Revenue Funds..... | 44 |

CITY OF OLEAN, NEW YORK

MAY 31, 2013

TABLE OF CONTENTS

Supplementary Information (continued)

Water Fund

Comparative Balance Sheets – Water Fund.....45
Comparative Statements of Revenues, Expenditures
And Changes In Fund Equity – Water Fund.....46
Statement of Revenues and Expenditures
– Budget and Actual – Water Fund.....47

Sewer Fund

Comparative Balance Sheets – Sewer Fund.....48
Comparative Statements of Revenues, Expenditures
And Changes In Fund Equity – Sewer Fund.....49
Statement of Revenues and Expenditures
– Budget and Actual – Sewer Fund.....50

Revolving Loan Fund

Comparative Balance Sheets – Revolving Loan Fund.....51
Comparative Statements of Revenues, Expenditures
And Changes In Fund Equity – Revolving Loan Fund.....52

Housing Rehabilitation Fund

Comparative Balance Sheets – Housing Rehabilitation Fund.....53
Comparative Statements of Revenues, Expenditures
And Changes In Fund Equity – Housing Rehabilitation Fund.....54

First Time Homebuyers Fund

Comparative Balance Sheets – First Time Homebuyers Fund.....55
Comparative Statements of Revenues, Expenditures
And Changes In Fund Equity – First Time Homebuyers Fund.....56

Capital Projects Fund

Comparative Balance Sheets – Capital Projects Fund.....57
Comparative Statements of Revenues, Expenditures
And Changes in Fund Equity – Capital Projects Fund.....58
Balance Sheet – Capital Projects Fund – By Project.....59
Schedule of Expenditures – Capital Projects Fund – By Project.....60

Debt Service Fund

Comparative Balance Sheets – Debt Service Fund.....61
Comparative Statements of Revenues, Expenditures
And Changes In Fund Equity – Debt Service Fund.....62

CITY OF OLEAN, NEW YORK

MAY 31, 2013

TABLE OF CONTENTS

Supplementary Information (continued)

Agency Fund

Comparative Balance Sheets – Agency Fund.....63

Schedule of Cash Receipts, Disbursements and Balances
– Agency Fund.....64

Other Schedules

Schedule of Funding Progress.....65

**Independent Auditors’ 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”..... 66-67**

Summary of Audit Result.....68

Schedule of Findings and Questioned Costs.....69-71

State Transportation Assistance:

Schedule of State Transportation Assistance Expended72

Notes to Schedule of State Transportation Assistance Expended73

**Independent Auditors’ Report on Compliance and Controls Over State Transportation Assistance
Expended Based on an Audit of Financial Statements Performed in Accordance with
“Government Auditing Standards”.....74-75**

Schedule of Findings and Questioned Costs-State Transportation Assistance76

Summary of Schedule of Prior Audit Findings-State Transportation Assistance.....77-78

Management Letter.....79-82

Statistical Information

General Governmental Expenditures by Function
– Last Ten Fiscal Years.....83

General Governmental Revenues by Source – Last Ten Fiscal Years84

Fund Balance History – General Fund – Last Ten Fiscal Years.....85

Assessed and Equalized Full Value of Taxable Property
– Last Ten Fiscal Years.....86

Ratio of General Bonded Debt to Assessed Value and Net
Bonded Debt Per Capita – Last Ten Fiscal Years.....87

Ratio of General Obligation Debt Service to Total General
Expenditures – Last Ten Fiscal Years.....88

Principal Taxpayers.....89

Principal Employers.....90



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *City of Olean, New York* as of and for the year ended May 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the fiduciary funds of the *City of Olean, New York* in the accompanying and individual fund statements as of and for the year ended May 31, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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.

Basis for Qualified Opinion

As described in Note 1 to the financial statements, general fixed assets and infrastructure are reported at estimated historical costs as required by accounting principles generally accepted in the United States of America. However, although the City conducted an independent appraisal of its fixed assets in 2009, an evaluation and reconciliation of the appraisal to the recorded costs has not been performed and therefore, the reasonableness of the recorded costs could not be verified.

Qualified Opinion

In our opinion, except for the effects of the recorded cost of the City's fixed assets and infrastructure as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the 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, 2013, and the results of the respective changes in financial position and the budgetary comparison for the general fund, special revenue funds, and debt service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **City of Olean'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 outlined in the table of contents are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014, 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
January 8, 2014**

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, 2013. 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, 2013:

- Overall net position of the City increased during the current year in the amount of \$3,166,000, as compared to an increase of \$3,236,000 during the prior fiscal year.
- Total net position of the City as of May 31, 2013 amounted to approximately \$34,421,000.
- The City's total revenue increased approximately 0% from \$24,775,000 during the fiscal year ended May 31, 2012 to \$24,896,000 during the fiscal year ended May 31, 2013. This increase was primarily the result of increases in real estate taxes, sales taxes and capital grants and contributions which were partially offset by a decline in federal aid.
- The City's total expenses increased approximately 1% from \$21,539,000 during fiscal year ended May 31, 2012 to \$21,730,000 during the fiscal year ended May 31, 2013. This increase was primarily related to increases in debt service, culture and recreation, general government support and state retirement costs.
- The City incurred capital costs in the amount of approximately \$5,792,000 primarily related to the purchase of new vehicles, other general equipment, work performed on the East State Street and East End Sewer, roadways and other miscellaneous capital projects.
- The general fund reported an overall fund balance of approximately \$4,476,000 as of May 31, 2013.

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 Position

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 position 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

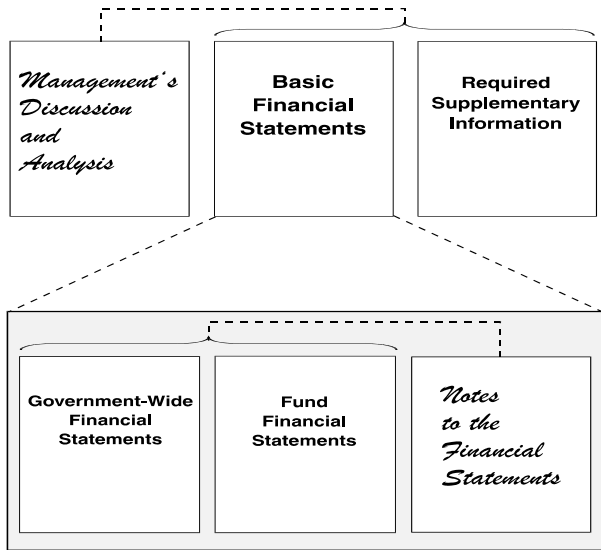
Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending.

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 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 Position

The City's total reporting entity net position increased \$3,166,000 or 10%. The components of net position include: invested in capital assets, net of related debt of \$26,243,000; restricted net position of \$4,208,000; and unrestricted net position of \$3,970,000 as of May 31, 2013.

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

Changes in Net position

The City's total government-wide revenue was \$24,896,000. Approximately 29%, 18%, and 42% 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 \$21,730,000 for the fiscal year ended May 31, 2013. The City's expenses cover a range of services, with 12%, 26%, 12%, and 23% related to general government support, public safety, transportation and employee benefits, respectively. Figure A-4 through Figure A-6 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Revenue

- Property tax revenue represents approximately 29% of the City's total revenue for governmental activities. Total property taxes increased approximately \$126,000 or 2% during the current fiscal year. The City budgeted for a small increase in property taxes in 2012-13.
- One of the City's most significant general revenue is non-property taxes, which represents \$4,649,000 or 18% of total governmental revenue. Total non-property taxes increased approximately \$198,000 or 4% as a result of an overall increase in sales and use tax revenues.
- The City's program revenue totaled approximately \$10,549,000. Program revenue consists of charges for services in the amount of \$8,233,000, which is primarily related to revenue received in the special revenue funds of approximately \$6,678,000. 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 \$473,000, 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 \$1,843,000, which consists of grants related to the City's capital project funds. These projects include federal and state grants for the airport improvements (FAA and NYS DOT), CHIPS program (NYS DOT and Marchesilli), and the East State Street and East End Sewer projects.

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

Revenue (continued)

Total charges for services decreased approximately 4% during the current fiscal year as a result of decreases in usage in the sewer fund. Total operating grants decreased approximately 13% during the current fiscal year, as a result of federal Section 5311 funding utilized for the purchase of new bus shelters in the prior year. Lastly, capital grants and contributions increased approximately 16% during the current year, which was primarily related to East State Street and East End Sewer grant funding received in 2012-13.

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 \$21,730,000.

- The City's general governmental support was approximately \$2,522,000 or 12% 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 5% in part due to an increase in spending related to building and central garage costs.
- The City's public safety costs were approximately \$5,723,000 or 26% of total expenditures. These expenditures consist primarily of costs attributable to the fire and police departments. Total costs for public safety decreased 1% during the current year, due to a decreases in police department and fire department payroll and overtime costs along with a decrease related to safe routes to school from the prior year.

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

Expenses (continued)

- Transportation costs of the City were approximately \$2,599,000 or 12% of total expenditures. These expenditures encompass the street maintenance department including maintenance and snow removal, the airport department and street lighting expenditures. Total transportation costs decreased approximately 4% during the current year due to a decrease in city-wide street and road repairs.
- The City's culture and recreation costs were approximately \$1,051,000 or 5% 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 15% which was primarily related to an increase in park maintenance costs and an increase in costs associated with stadium repairs.
- Home and community services costs were approximately \$4,085,000 or 19% of total expenditures. These expenditures are related to costs of the water and sewer funds and costs related to homebuyer and other community development projects. Total home and community services expenditures decreased approximately 2% which was related to decreases in the water and sewer fund expenses.
- Employee benefit costs were approximately \$4,999,000 or 23% of total expenditures. These expenditures consist primarily of social security benefits, health insurance benefits, workmen's compensation benefits and pension costs. Total employee benefit costs increased approximately 6% during the current fiscal year primarily as a result of increases in state pension costs.
- During the current fiscal year, the City had debt service costs of \$706,000. These costs were primarily related to the current fiscal year interest payments on long-term debt for the water treatment facility and the City's two reservoirs. These costs also include interest payments on serial bonds for other city public improvement projects.

Figure A-3 – Condensed Statement of Net Position

| <i>City of Olean, New York</i> Condensed Statement of Net Position As of May 31, 2013 (in thousands of dollars) | | | |
|--|------------------|------------------|------------|
| | 2013 | 2012 | Change |
| Assets | | | |
| Current and other assets | \$ 17,976 | \$ 20,183 | -11% |
| Capital Assets | 51,700 | 47,796 | 8% |
| Total assets | \$ 69,676 | \$ 67,979 | 2% |
| Liabilities | | | |
| Other liabilities | \$ 7,074 | \$ 7,040 | 0% |
| Long-term debt outstanding | 28,182 | 29,684 | -5% |
| Total liabilities | 35,256 | 36,724 | -4% |
| Net Position | | | |
| Net investment in capital assets | 26,243 | 22,165 | 18% |
| Restricted | 4,208 | 4,397 | -4% |
| Unrestricted | 3,970 | 4,693 | -15% |
| Total net position | 34,421 | 31,255 | 10% |
| Total liabilities and net position | \$ 69,676 | \$ 67,979 | 2% |

Figure A-4 – Condensed Statement of Activities

| <i>City of Olean, New York</i> Condensed Statement of Activities For the Year Ended May 31, 2013 (in thousands of dollars) | | | |
|---|-----------------|-----------------|-----------|
| | 2013 | 2012 | Change |
| Revenue | | | |
| Program Revenue | | | |
| Charges for services | \$ 8,233 | \$ 8,554 | -4% |
| Operating grants | 473 | 545 | -13% |
| Capital grants & contributions | 1,843 | 1,594 | 16% |
| General Revenue | | | |
| Real property taxes | 7,117 | 6,991 | 2% |
| Special assessment tax - real property | 15 | 20 | -26% |
| Real property tax items | 146 | 199 | -27% |
| Non-property tax items | 4,649 | 4,452 | 4% |
| Use of money and property | 16 | 25 | -34% |
| Miscellaneous local sources | - | 7 | 100% |
| State aid | 2,404 | 2,388 | 1% |
| Total revenue | 24,896 | 24,775 | 0% |
| Expenses | | | |
| General government support | 2,522 | 2,391 | 5% |
| Public safety | 5,723 | 5,764 | -1% |
| Health | 37 | 61 | -40% |
| Transportation | 2,599 | 2,711 | -4% |
| Economic development | 8 | - | 0% |
| Culture and recreation | 1,051 | 916 | 15% |
| Home and community services | 4,085 | 4,183 | -2% |
| Employee benefits | 4,999 | 4,716 | 6% |
| Debt service | 706 | 797 | -11% |
| Total expenses | 21,730 | 21,539 | 1% |
| Change in net position | \$ 3,166 | \$ 3,236 | |

Figure A-5 – Governmental Sources of Revenue

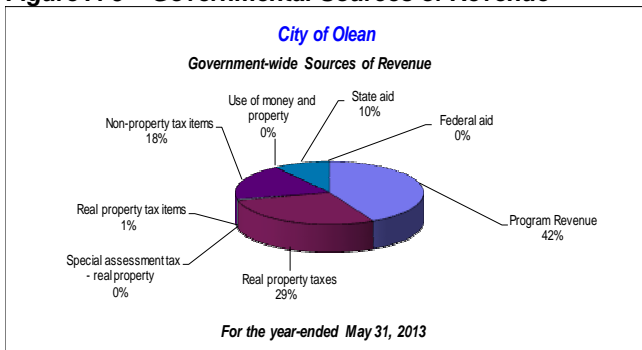
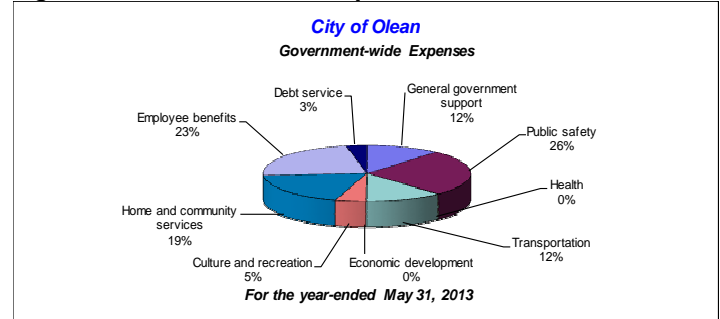


Figure A-6 – Governmental Expenses



V. Financial Analysis of the City's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the government-wide financial statements (Statement of Net 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 position are presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

General Fund

- The City's general fund expenditures and other sources exceeded its revenue and other uses by approximately \$1,268,000 during the year ended May 31, 2013.
- The City's general fund unassigned fund balance equated to approximately \$4,164,000 as of May 31, 2013.
- The City had an assigned fund balance as of May 31, 2013, which approximated \$312,000.
- The total assets for the City's general fund were \$10,729,000 which decreased approximately \$1,436,000 during the current year, primarily related to a decrease in federal and state receivables and cash balances as of May 31, 2013. The City's general fund liabilities as of May 31, 2013 were \$6,253,000 which decreased approximately \$168,000 during the current fiscal year, primarily related to a decrease in accrued liabilities and balances due to other funds offset by an increase in deferred real estate taxes.

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

General Fund (continued)

- The City's total revenue and other sources in the general fund increased approximately \$51,000 or 0% during the current year as a result of increases in revenue associated with sales tax collections, gross receipts tax collections and real estate tax collections. This was offset by decreases in departmental income and decreases in federal sources related to OATS bus funding. Total expenditures and other uses in the general fund increased approximately \$781,000 or 5% which was primarily related to increases in interfund transfers to the capital projects fund.

Special Revenue Fund

- The City's special revenue consisted of the following funds; water fund, sewer fund, revolving loan fund, housing fund and first time homebuyers' fund.
- Current year revenue and other sources in the special revenue fund was \$6,678,000 which decreased \$179,000 primarily related to decreases in departmental income in both the water and sewer funds. Total expenditures and other uses were \$6,011,000 which decreased \$1,893,000. This decrease primarily related to current year decreases in water and sewer fund expenditures and decreases in transfers to capital fund due to projects occurring in the prior year.

Debt Service Fund

- The City's current fiscal year revenue and other sources were \$1,702,000 which decreased approximately \$145,000 and was related to the refunding of debt. Expenditures during the current year amounted to \$2,041,000 which decreased approximately \$62,000 also related to the bond refunding.

Capital Projects Fund

- During the current year, the City incurred total costs in the capital projects fund in the amount of \$5,875,000. Such costs were primarily related to costs associated with the East State Street and East End Sewer (\$3,465,000), Vehicle Replacement (\$418,000), and the CHIPS program (\$366,000).

VI. General Fund Budgetary Highlight

As shown in figure A-7, over the course of the year, the City makes many budget transfers. After such transfers, the revised budget presents actual expenditures being approximately \$1,196,000 above the revised budget. The most significant variance was in the area of transfers to other funds which was over budget by approximately \$1,599,000. The City's general government support, health and culture and recreation expenditures were approximately \$99,000, \$87,000 and \$109,000 below the amount budgeted. On the other hand, resources available for appropriations were approximately \$17,000 above the final budgeted amount. Significant variance of revenue items consisted of federal aid and non-property tax items that were approximately \$140,000 and \$134,000, respectively, above that budgeted. The City's state aid was approximately \$103,000 below the budgeted amount.

VII. Capital Asset and Debt Administration

Capital Assets

As of May 31, 2013, the City had a net investment of \$51,700,000 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, 2013, totaled approximately \$5,792,000 and consisted primarily of costs associated with the purchase of new vehicles, airport renovations, East State Street and East end Sewer renovations and other miscellaneous capital projects. More detailed information about the City's capital assets is presented in the notes of the financial statements.

Long-term Debt

As of May 31, 2013, the City had approximately \$28,182,000 in serial bonds, capital leases, EFC notes, compensated absences, retirement incentives, environmental liability and other long-term debt outstanding.

**CITY OF OLEAN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2013**

Figure A-7 – General Fund Budget vs Actual

| <i>City of Olean, New York</i> | | | |
|--|---------------------------|------------------|-------------------|
| <i>Budget vs Actual - General Fund</i> | | | |
| <i>For the Year Ended May 31, 2013</i> | | | |
| <i>(in thousands of dollars)</i> | | | |
| Revenue | Revised Budget | Actual | Difference |
| Real property taxes | \$ 7,117 | \$ 7,117 | \$ - |
| Special assessment tax - real property | 17 | 14 | (3) |
| Real property tax items | 180 | 146 | (34) |
| Non-property tax items | 4,515 | 4,649 | 134 |
| Departmental income | 1,335 | 1,278 | (57) |
| Intergovernmental charges | 164 | 135 | (29) |
| Use of money and property | 23 | 13 | (10) |
| Licenses and permits | 69 | 47 | (22) |
| Fines and forfeitures | 90 | 82 | (8) |
| Sales of property and comp for loss | 2 | 12 | 10 |
| Miscellaneous local sources | - | - | - |
| State aid | 2,840 | 2,736 | (104) |
| Federal aid | - | 140 | 140 |
| Total revenue | <u>\$ 16,352</u> | <u>\$ 16,369</u> | <u>\$ 17</u> |
| Expenses | | | |
| General government support | \$ 2,254 | \$ 2,155 | \$ 99 |
| Public safety | 5,255 | 5,207 | 48 |
| Health | 120 | 33 | 87 |
| Transportation | 2,197 | 1,925 | 272 |
| Economic development | 15 | 15 | - |
| Culture and recreation | 1,145 | 1,036 | 109 |
| Home and community services | 179 | 135 | 45 |
| Employee benefits | 3,880 | 3,889 | (10) |
| Debt service | 25 | 26 | (1) |
| Other financing uses | | | |
| BANS redeemed from appropriations | - | 30 | (30) |
| Transfer to other funds | 1,589 | 3,188 | (1,599) |
| Total expenses | <u>\$ 16,659</u> | <u>\$ 17,639</u> | <u>\$ (980)</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:

- 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 2013-14 fiscal year the Council adopted a budget with a tax decrease of approximately 2.00%. Tax rates have increased in each of the previous ten years.
- NYS has imposed a 2% property tax cap on all municipalities as it relates to the 2013-14 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.

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

- New York State has announced that it intends to continue AIM funding in 2013-14 at the same levels realized in the 2012-13 fiscal year.
- The contracts of two bargaining units within the City of Olean expired on May 31, 2011 and negotiations are currently still ongoing. Both police unions settled on a new agreement that will expire in 2015. The City of Olean is concerned with rising health care and pension costs. We believe these factors will play an integral part in the outcome of negotiations with the two unsettled contracts.
- The City of Olean has completed the East End Project which has significantly improved that area's infrastructure. In addition, \$1.65 million has been pledged to rehabilitate Bradner Stadium which will further improve the East End and hopefully result in increased tourist and sales tax revenue.
- North Union Street will be taking on a new look in years to come. The City of Olean has been awarded a \$ 6.5 million TIGER Grant that will be used to improve the sewer system and other infrastructure on this important street..
- Construction of a privately owned restaurant and entertainment center, Good Times, in East Olean is complete and will result in the creation of 50-100 new full-time jobs. Included in the complex is a state of the art bowling alley, miniature golf, and several dining rooms.
- Renovations and upgrades to the local airport are continuing, including the addition of 10 new hangers. The improvements also include upgrades to the fueling facilities and runway.

IX. Contacting the City's Financial Management

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

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

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

Page 11

| Assets | 2013 | 2012 |
|--|----------------------|----------------------|
| Cash on hand | \$ 1,348 | \$ 1,348 |
| Cash on deposit | | |
| Regular accounts | 10,506,876 | 14,707,328 |
| Receivables | | |
| Refuse and garbage | 1,869 | 1,869 |
| Special assessment | 1,882 | 1,882 |
| Accounts receivable | 1,726,250 | 1,671,156 |
| Due from other funds | 9,513 | 9,513 |
| State and federal | 1,693,942 | 1,218,545 |
| Due from other governments | 31,189 | 42,365 |
| Revolving loans receivable | 166,952 | 224,247 |
| First Time Homebuyers loans receivable | 95,963 | 117,695 |
| Rehabilitation loans receivable | 7,096 | 7,470 |
| Cash to be used for capital assets | 3,733,181 | 2,179,699 |
| Capital assets, net | 51,700,201 | 47,795,854 |
| Total assets | <u>\$ 69,676,262</u> | <u>\$ 67,978,971</u> |
| Liabilities | | |
| Payables | | |
| Accounts payable and retainage payable | \$ 850,496 | \$ 880,758 |
| Accrued liabilities | 645,766 | 717,628 |
| Due to other funds | 2,716 | 2,716 |
| Due to employee retirement system | 348,777 | 303,903 |
| Other liabilities | 33,387 | 90,200 |
| Deferred revenue | 5,192,381 | 5,045,670 |
| Long-term liabilities | | |
| Portion due or payable within one year | | |
| Due to other governments | 24,475 | 24,232 |
| Bond anticipation notes payable - construction | - | 11,182,895 |
| NYS EFC notes | 300,000 | 290,000 |
| Serial bonds payable | 1,401,059 | 867,000 |
| Capital leases | 123,358 | 131,494 |
| Environmental liability | 225,000 | 225,000 |
| Retirement incentive | 3,000 | 4,100 |
| Compensated absences | 35,000 | 35,000 |
| Portion due or payable after one year | | |
| Due to other governments | 22,656 | 47,131 |
| NYS EFC notes | 4,810,000 | 5,110,000 |
| Serial bonds payable | 19,483,368 | 9,983,000 |
| Capital leases | 836,378 | 959,735 |
| Environmental liability | 507,000 | 507,000 |
| Retirement incentive | 20,073 | 24,593 |
| Compensated absences | 264,026 | 288,993 |
| Other-post employment benefits | 126,824 | 3,399 |
| Total liabilities | <u>35,255,740</u> | <u>36,724,447</u> |
| Net Position | | |
| Net investment in capital assets | 26,243,329 | 22,165,011 |
| Restricted for | | |
| Debt service | 42,667 | 381,650 |
| Capital | 4,165,272 | 4,015,389 |
| Unrestricted: | | |
| Designated | 673,454 | 492,609 |
| Undesignated | 3,295,800 | 4,199,865 |
| Total net position | <u>34,420,522</u> | <u>31,254,524</u> |
| Total liabilities and net position | <u>\$ 69,676,262</u> | <u>\$ 67,978,971</u> |

See accompanying independent auditors' report and notes to the financial statements.

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

| Functions/Programs | Expenses | Program Revenues | | | 2013 | 2012 |
|---|----------------------|-----------------------------|-------------------------|---|--|--|
| | | Charges for Services | Operating Grants | Capital Grants & Contributions | Net (Expense) Revenue and Changes in Net Position | Net (Expense) Revenue and Changes in Net Position |
| General government support | \$ 2,521,790 | \$ 214,287 | \$ - | \$ 203,913 | \$ (2,103,590) | \$ (1,873,574) |
| Public safety | 5,722,546 | 143,211 | 63,441 | 32,482 | (5,483,413) | (5,404,377) |
| Health | 36,543 | 662,390 | - | - | 625,847 | 667,626 |
| Transportation | 2,599,066 | 388,112 | 409,595 | 1,357,439 | (443,920) | (752,619) |
| Economic development | 8,353 | 11,188 | - | - | 2,835 | 11,998 |
| Culture and recreation | 1,051,457 | 246,465 | - | 2,085 | (802,907) | (627,751) |
| Home and community services | 4,085,331 | 5,059,571 | - | 247,232 | 1,221,471 | 1,022,263 |
| Employee benefits | 4,998,610 | 1,458,634 | - | - | (3,539,976) | (3,321,380) |
| Debt service - interest & issuance fees | 705,887 | 48,545 | - | - | (657,342) | (568,874) |
| Total functions and programs | \$ 21,729,583 | \$ 8,232,402 | \$ 473,036 | \$ 1,843,152 | (11,180,993) | (10,846,688) |
| General Revenues | | | | | | |
| Real property taxes | | | | | 7,116,673 | 6,990,983 |
| Special assessment tax - real property | | | | | 15,139 | 20,379 |
| Real property tax items | | | | | 146,101 | 199,363 |
| Non-property tax items | | | | | 4,649,462 | 4,451,814 |
| Use of money and property | | | | | 16,432 | 24,729 |
| Miscellaneous local sources | | | | | 30 | 7,774 |
| State aid | | | | | 2,403,154 | 2,387,849 |
| Total general revenues | | | | | 14,346,991 | 14,082,891 |
| Change in net position | | | | | 3,165,998 | 3,236,203 |
| Net position - beginning of year | | | | | 31,254,524 | 28,018,321 |
| Net position - end of year | | | | | \$ 34,420,522 | \$ 31,254,524 |

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

| | Major Funds | | | | | Non-Major | 2013 | 2012 |
|--|----------------------|---------------------|---------------------|-------------------|-----------------------|-----------------------------|----------------------|----------------------|
| | General | Water | Sewer | Debt Service | Capital Project Funds | Funds Special Revenue Funds | (Memo only) Total | (Memo only) Total |
| Assets | | | | | | | | |
| Cash on hand | \$ 1,308 | \$ 40 | \$ - | \$ - | \$ - | \$ - | \$ 1,348 | \$ 1,348 |
| Cash on deposit | | | | | | | | |
| Regular accounts | 8,591,083 | 711,242 | 650,716 | 106,035 | 3,733,181 | 447,800 | 14,240,057 | 16,887,027 |
| Receivables | | | | | | | | |
| Refuse and garbage | 1,869 | - | - | - | - | - | 1,869 | 1,869 |
| Special assessment | 1,882 | - | - | - | - | - | 1,882 | 1,882 |
| Accounts receivable | 260,101 | 741,094 | 723,269 | - | 1,786 | - | 1,726,250 | 1,671,156 |
| Due from other funds | 430,326 | 144,372 | 156,289 | - | 9,749 | 30 | 740,766 | 1,291,183 |
| Advances to other funds | 752,862 | - | 20,416 | - | - | - | 773,278 | 665,981 |
| State and federal | 689,128 | - | - | - | 1,004,814 | - | 1,693,942 | 1,218,545 |
| Revolving loans receivable | - | - | - | - | - | 166,952 | 166,952 | 224,247 |
| First Time Homebuyers loans receivable | - | - | - | - | - | 95,963 | 95,963 | 117,695 |
| Rehabilitation loans receivable | - | - | - | - | - | 7,096 | 7,096 | 7,470 |
| Total assets | \$ 10,728,559 | \$ 1,596,748 | \$ 1,550,690 | \$ 106,035 | \$ 4,749,530 | \$ 717,841 | \$ 19,449,403 | \$ 22,088,403 |
| Liabilities | | | | | | | | |
| Accounts payable and retainage payable | \$ 263,243 | \$ 90,988 | \$ 48,331 | \$ - | \$ 447,934 | \$ - | \$ 850,496 | \$ 880,758 |
| Accrued liabilities | 479,136 | 55,069 | 52,561 | - | 100,000 | - | 686,766 | 752,628 |
| Due to other funds | 278,010 | - | 34,749 | 63,368 | 357,842 | - | 733,969 | 1,284,386 |
| Advances from other funds | - | 462,340 | 310,938 | - | - | - | 773,278 | 665,981 |
| Due to employee retirement systems | 290,328 | 29,665 | 28,784 | - | - | - | 348,777 | 303,903 |
| Other liabilities | 19,257 | 9,891 | - | - | - | 4,239 | 33,387 | 90,200 |
| Deferred revenue | 4,922,591 | - | - | - | - | 269,790 | 5,192,381 | 5,045,670 |
| Bond anticipation notes - construction | - | - | - | - | - | - | - | 11,182,895 |
| Total liabilities | 6,252,565 | 647,953 | 475,363 | 63,368 | 905,776 | 274,029 | 8,619,054 | 20,206,421 |
| Fund Equity | | | | | | | | |
| Restricted | - | - | - | 42,667 | 4,165,272 | - | 4,207,939 | 4,397,039 |
| Assigned | 312,199 | 948,795 | 1,075,327 | - | - | 443,812 | 2,780,133 | 2,108,479 |
| Unassigned (deficit) | 4,163,795 | - | - | - | (321,518) | - | 3,842,277 | (4,623,536) |
| Total fund equity | 4,475,994 | 948,795 | 1,075,327 | 42,667 | 3,843,754 | 443,812 | 10,830,349 | 1,881,982 |
| Total liabilities and fund equity | \$ 10,728,559 | \$ 1,596,748 | \$ 1,550,690 | \$ 106,035 | \$ 4,749,530 | \$ 717,841 | \$ 19,449,403 | \$ 22,088,403 |

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

| | Major Funds | | | | | Non-Major | 2013 (Memo only) Total | 2012 (Memo only) Total |
|--|---------------------|-------------------|---------------------|--------------------|-----------------------------|--------------------------------------|------------------------------|------------------------------|
| | General | Water | Sewer | Debt Service | Capital Project Funds | Funds Special Revenue Funds | | |
| Revenue | | | | | | | | |
| Real property taxes | \$ 7,116,673 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,116,673 | \$ 6,990,983 |
| Special assessment tax - real property | 15,139 | - | - | - | - | - | 15,139 | 20,379 |
| Real property tax items | 146,101 | - | - | - | - | - | 146,101 | 199,363 |
| Non-property tax items | 4,649,462 | - | - | - | - | - | 4,649,462 | 4,451,814 |
| Departmental income | 1,278,018 | 3,246,805 | 2,945,372 | - | - | 88,188 | 7,558,383 | 7,918,371 |
| Intergovernmental charges | 134,498 | - | 388,494 | - | - | - | 522,992 | 480,463 |
| Use of money and property | 12,532 | - | - | 123 | 4,327 | 2,022 | 19,004 | 28,508 |
| Licenses and permits | 46,817 | - | - | - | - | - | 46,817 | 47,367 |
| Fines and forfeitures | 81,906 | - | - | - | - | - | 81,906 | 93,550 |
| Sale of property & compensation for loss | 12,359 | 1,773 | - | 30 | - | - | 14,162 | 5,344 |
| Miscellaneous local sources | - | - | - | - | 182,161 | - | 182,161 | 154,740 |
| State aid | 2,736,290 | - | 5,600 | - | 1,461,951 | - | 4,203,841 | 3,528,255 |
| Federal aid | 139,900 | - | - | - | 199,040 | - | 338,940 | 856,446 |
| Total revenue | 16,369,695 | 3,248,578 | 3,339,466 | 153 | 1,847,479 | 90,210 | 24,895,581 | 24,775,583 |
| Expenditures | | | | | | | | |
| General government support | 2,154,905 | 59,908 | 58,455 | - | 649,968 | - | 2,923,236 | 2,563,850 |
| Public safety | 5,206,659 | - | - | - | 103,535 | - | 5,310,194 | 5,447,199 |
| Health | 32,733 | - | - | - | - | - | 32,733 | 55,217 |
| Transportation | 1,924,809 | - | - | - | 4,326,810 | - | 6,251,619 | 3,539,594 |
| Economic development | 15,000 | - | - | - | - | - | 15,000 | - |
| Culture and recreation | 1,036,238 | - | - | - | 6,647 | - | 1,042,885 | 1,105,889 |
| Home and community services | 134,779 | 1,729,501 | 1,701,234 | - | 788,049 | 203 | 4,353,766 | 3,883,859 |
| Employee benefits | 3,889,120 | 493,382 | 523,270 | - | - | - | 4,905,772 | 4,723,826 |
| Debt service: | | | | | | | | |
| Principal | 24,232 | - | - | 1,368,493 | - | - | 1,392,725 | 1,451,502 |
| Interest | 1,509 | 25,248 | 798 | 672,788 | - | - | 700,343 | 837,780 |
| Total expenditures | 14,419,984 | 2,308,039 | 2,283,757 | 2,041,281 | 5,875,009 | 203 | 26,928,273 | 23,608,716 |
| Excess (deficiency) of revenue over expenditures | 1,949,711 | 940,539 | 1,055,709 | (2,041,128) | (4,027,530) | 90,007 | (2,032,692) | 1,166,867 |
| Other financing sources (uses) | | | | | | | | |
| BANS redeemed from appropriations | (30,000) | (35,000) | (172,895) | - | 237,895 | - | - | - |
| Proceeds from serial bonds - construction | - | - | - | - | 10,981,059 | - | 10,981,059 | - |
| Proceeds from serial bonds - refunding | - | - | - | 5,265,339 | - | - | 5,265,339 | - |
| Payment for refunding of bonds | - | - | - | (5,265,339) | - | - | (5,265,339) | - |
| Operating transfers in | - | - | - | 1,702,145 | 2,716,541 | - | 4,418,686 | 4,953,566 |
| Operating transfers out | (3,188,127) | (676,783) | (534,776) | - | (19,000) | - | (4,418,686) | (4,953,566) |
| Total other financing sources (uses) | (3,218,127) | (711,783) | (707,671) | 1,702,145 | 13,916,495 | - | 10,981,059 | - |
| Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses | (1,268,416) | 228,756 | 348,038 | (338,983) | 9,888,965 | 90,007 | 8,948,367 | 1,166,867 |
| Fund equity (deficit), beginning of year | 5,744,410 | 720,039 | 727,289 | 381,650 | (6,045,211) | 353,805 | 1,881,982 | 715,115 |
| Fund equity, end of year | \$ 4,475,994 | \$ 948,795 | \$ 1,075,327 | \$ 42,667 | \$ 3,843,754 | \$ 443,812 | \$ 10,830,349 | \$ 1,881,982 |

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2013

| | Original Budget | Amended Budget | Actual | Encumbrances | Variance Favorable (Unfavorable) |
|--|----------------------------|---------------------------|-----------------------|---------------------|---|
| Revenue | | | | | |
| Real property taxes | \$ 7,116,673 | \$ 7,116,673 | \$ 7,116,673 | \$ - | \$ - |
| Special assessment tax - real property | 16,697 | 16,697 | 15,139 | - | (1,558) |
| Real property tax items | 180,000 | 180,000 | 146,101 | - | (33,899) |
| Non-property tax items | 4,515,000 | 4,515,000 | 4,649,462 | - | 134,462 |
| Departmental income | 1,335,315 | 1,335,315 | 1,278,018 | - | (57,297) |
| Intergovernmental charges | 163,895 | 163,895 | 134,498 | - | (29,397) |
| Use of money and property | 23,500 | 23,500 | 12,532 | - | (10,968) |
| Licenses and permits | 69,000 | 69,000 | 46,817 | - | (22,183) |
| Fines and forfeitures | 90,000 | 90,000 | 81,906 | - | (8,094) |
| Sales of property and compensation for loss | 2,500 | 2,500 | 12,359 | - | 9,859 |
| State aid | 2,839,679 | 2,839,679 | 2,736,290 | - | (103,389) |
| Federal aid | - | - | 139,900 | - | 139,900 |
| Total revenue | 16,352,259 | 16,352,259 | 16,369,695 | - | 17,436 |
| Expenditures | | | | | |
| General government support | 2,963,290 | 2,254,385 | 2,154,905 | 79,549 | 19,931 |
| Public safety | 5,323,341 | 5,254,767 | 5,206,659 | 49,350 | (1,242) |
| Health | 85,330 | 119,904 | 32,733 | - | 87,171 |
| Transportation | 2,084,901 | 2,197,401 | 1,924,809 | 108,000 | 164,592 |
| Economic development | 15,000 | 15,000 | 15,000 | - | - |
| Culture and recreation | 1,122,057 | 1,144,808 | 1,036,238 | 39,300 | 69,270 |
| Home and community services | 164,480 | 179,480 | 134,779 | 36,000 | 8,701 |
| Employee benefits | 3,929,565 | 3,879,565 | 3,889,120 | - | (9,555) |
| Debt service: | | | | | |
| Principal | - | - | 24,232 | - | (24,232) |
| Interest | 24,834 | 24,834 | 1,509 | - | 23,325 |
| Total expenditures | 15,712,798 | 15,070,144 | 14,419,984 | 312,199 | 337,961 |
| Excess (deficiency) of revenue over expenditures | 639,461 | 1,282,115 | 1,949,711 | (312,199) | 355,397 |
| Other financing sources (uses) | | | | | |
| BANS redeemed from appropriations | - | - | (30,000) | - | (30,000) |
| Operating transfers out | (639,461) | (1,589,461) | (3,188,127) | - | (1,598,666) |
| Total other financing sources (uses) | (639,461) | (1,589,461) | (3,218,127) | - | (1,628,666) |
| Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses | \$ - | \$ (307,346) | \$ (1,268,416) | \$ (312,199) | \$ (1,273,269) |

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MAY 31, 2013

| | (Water Fund and Sewer Fund Only) | | | | Variance |
|--|---|---------------------|--------------------|---------------------|----------------------|
| | Original | Amended | Actual | Encumbrances | Favorable |
| | Budget | Budget | Actual | Encumbrances | (Unfavorable) |
| Revenue | | | | | |
| Departmental income | \$ 6,449,570 | \$ 6,449,570 | \$ 6,192,177 | \$ - | \$ (257,393) |
| Intergovernmental charges | 195,000 | 195,000 | 388,494 | - | 193,494 |
| Sales of property and compensation for loss | - | - | 1,773 | - | 1,773 |
| State aid | - | - | 5,600 | - | 5,600 |
| Total revenue | 6,644,570 | 6,644,570 | 6,588,044 | - | (56,526) |
| Expenditures | | | | | |
| General government support | 427,000 | 351,000 | 118,363 | - | 232,637 |
| Home and community services | 3,814,101 | 3,983,790 | 3,430,735 | 361,255 | 191,800 |
| Employee benefits | 1,027,933 | 1,027,933 | 1,016,652 | - | 11,281 |
| Debt service - interest expense | - | - | 26,046 | - | (26,046) |
| Total expenditures | 5,269,034 | 5,362,723 | 4,591,796 | 361,255 | 409,672 |
| Excess (deficiency) of revenue over expenditures | 1,375,536 | 1,281,847 | 1,996,248 | (361,255) | 353,146 |
| Other financing sources (uses) | | | | | |
| BANs redeemed from appropriations | - | - | (207,895) | - | (207,895) |
| Operating transfers out | (1,373,143) | (1,470,684) | (1,211,559) | - | 259,125 |
| Total other financing sources (uses) | (1,373,143) | (1,470,684) | (1,419,454) | - | 51,230 |
| Excess (deficiency) of revenue over expenditures and other financing uses | \$ 2,393 | \$ (188,837) | \$ 576,794 | \$ (361,255) | \$ 404,376 |

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2013

| | Amended Budget | Actual | Encumbrances | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|--------------|--|
| Revenue | | | | |
| Use of money and property | \$ - | \$ 123 | \$ - | \$ 123 |
| Sale of Property | \$ - | 30 | - | 30 |
| Total revenue | - | 153 | - | 153 |
| Expenditures | | | | |
| General government support | 10,231 | - | - | 10,231 |
| Debt service: | | | | |
| Principal | 1,663,848 | 1,368,493 | - | 295,355 |
| Interest | 696,080 | 672,788 | - | 23,292 |
| Total expenditures | 2,370,159 | 2,041,281 | - | 328,878 |
| Excess (deficiency) of revenue over expenditures | (2,370,159) | (2,041,128) | - | 329,031 |
| Other financing sources (uses) | | | | |
| Proceeds from serial bonds - refunding | - | 5,265,339 | - | 5,265,339 |
| Payment for refunding of bonds | - | (5,265,339) | - | (5,265,339) |
| Operating transfers in | 2,012,604 | 1,702,145 | - | (310,459) |
| Total other financing sources (uses) | 2,012,604 | 1,702,145 | - | (310,459) |
| Excess (deficiency) of revenue and other financing sources over expenditures | \$ (357,555) | \$ (338,983) | \$ - | \$ 18,572 |

CITY OF OLEAN, NEW YORK
RECONCILIATION OF GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF MAY 31, 2013

Total fund balance - governmental funds \$ 10,830,349

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 | \$ 78,686,178 | |
| Accumulated depreciation | <u>(26,985,977)</u> | 51,700,201 |

Interest on long-term assets is not accrued in governmental funds, but rather is recognized as an expenditure when due. (184,000)

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

| | | |
|--|------------------|--------------|
| Due to other governments - Constitution Avenue note, net | (15,942) | |
| NYS Environmental Facilities Corporation Bond | (5,110,000) | |
| Serial Bonds payable | (20,884,427) | |
| Capital leases | (959,736) | |
| Environmental liability | (507,000) | |
| Other post-employment benefits | (126,824) | |
| Retirement incentive | (23,073) | |
| Compensated absences | <u>(299,026)</u> | (27,926,028) |

Total net position - governmental liabilities \$ 34,420,522

| | Total Governmental Funds | Long-term Assets, Liabilities | Reclassifications and Eliminations | Statement of Net Position Totals |
|---|--------------------------------|-------------------------------------|--|--|
| Assets | | | | |
| Cash on hand | \$ 1,348 | \$ - | \$ - | \$ 1,348 |
| Cash on deposit | | | | |
| Regular accounts | 14,240,057 | - | - | 14,240,057 |
| Receivables | | | | |
| Refuse and garbage | 1,869 | - | - | 1,869 |
| Special assessment | 1,882 | - | - | 1,882 |
| Accounts receivable | 1,726,250 | - | - | 1,726,250 |
| Due from other funds | 740,766 | - | (731,253) | 9,513 |
| Advances to other funds | 773,278 | - | (773,278) | - |
| State, Federal and other governments | 1,693,942 | 31,189 | - | 1,725,131 |
| Revolving loans receivable | 166,952 | - | - | 166,952 |
| First Time Homebuyers loans receivable | 95,963 | - | - | 95,963 |
| Rehabilitation loans receivable | 7,096 | - | - | 7,096 |
| Capital Assets, net | - | 51,700,201 | - | 51,700,201 |
| Total assets | \$ 19,449,403 | \$ 51,731,390 | \$ (1,504,531) | \$ 69,676,262 |
| Liabilities | | | | |
| Accounts payable and retainage payable | \$ 850,496 | \$ - | \$ - | \$ 850,496 |
| Accrued liabilities | 686,766 | 184,000 | (225,000) | 645,766 |
| Due to other funds | 733,969 | - | (731,253) | 2,716 |
| Advances from other funds | 773,278 | - | (773,278) | - |
| Due to other governments | - | 47,131 | - | 47,131 |
| Due to employee retirement system | 348,777 | - | - | 348,777 |
| Other liabilities | 33,387 | - | - | 33,387 |
| Deferred revenue | 5,192,381 | - | - | 5,192,381 |
| NYS EFC note | - | 5,110,000 | - | 5,110,000 |
| Serial bonds payable | - | 20,884,427 | - | 20,884,427 |
| Capital leases | - | 959,736 | - | 959,736 |
| Environmental liability | - | 507,000 | 225,000 | 732,000 |
| Other post-employment benefits | - | 126,824 | - | 126,824 |
| Retirement incentive | - | 23,073 | - | 23,073 |
| Compensated absences | - | 299,026 | - | 299,026 |
| Total liabilities | 8,619,054 | 28,141,217 | (1,504,531) | 35,255,740 |
| Fund equity/net position | 10,830,349 | 23,590,173 | - | 34,420,522 |
| Total liabilities and fund equity/net position | \$ 19,449,403 | \$ 51,731,390 | \$ (1,504,531) | \$ 69,676,262 |

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, 2013

Total net change in fund balances - governmental funds \$ 8,948,367

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 | \$ | 5,791,500 | |
| Depreciation expense | | <u>(1,887,153)</u> | |
| | | | 3,904,347 |

Repayment of bond and other long term debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net position. 1,381,549

Proceeds from long-term debt (net of issuance fees) are recorded as revenue in governmental funds. However in the statement of activities, proceeds from long-term debt is not recorded as revenue but rather the amount is recorded as a liability in the statement of net assets. Proceeds from long-term debt during the current year consisted of the following: (10,981,059)

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. 5,632

In the statement of activities, certain operating expenses - compensated absences (vacation and sick days) and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (92,838)

Change in net position of governmental activities \$ 3,165,998

| | Total Governmental Funds | Capital Related Items | Long-term Debt Transactions | Reclassifications and Eliminations | Statement of Activities Total |
|---|--------------------------------|-----------------------------|-----------------------------------|--|-------------------------------------|
| Revenues | | | | | |
| Real property taxes | \$ 7,116,673 | \$ - | \$ - | \$ - | \$ 7,116,673 |
| Special assessment tax - real property | 15,139 | - | - | - | 15,139 |
| Real property tax items | 146,101 | - | - | - | 146,101 |
| Non-property tax items | 4,649,462 | - | - | - | 4,649,462 |
| Departmental income | 7,558,383 | - | - | (7,558,383) | - |
| Intergovernmental charges | 522,992 | - | (11,176) | (511,816) | - |
| Use of money and property | 19,004 | - | - | (2,572) | 16,432 |
| Licenses and permits | 46,817 | - | - | (46,817) | - |
| Fines and forfeitures | 81,906 | - | - | (81,906) | - |
| Sales of property and compensation for loss | 14,162 | - | - | (14,132) | 30 |
| Miscellaneous local sources | 182,161 | - | - | (182,161) | - |
| State aid | 4,203,841 | - | - | (1,800,687) | 2,403,154 |
| Federal aid | 338,940 | - | - | (338,940) | - |
| Total revenues | 24,895,581 | - | (11,176) | (10,537,414) | 14,346,991 |
| Expenditures/Expenses | | | | | |
| General government support | 2,923,236 | (401,446) | - | (418,200) | 2,103,590 |
| Public safety | 5,310,194 | 412,352 | - | (239,133) | 5,483,413 |
| Health | 32,733 | 3,810 | - | (662,390) | (625,847) |
| Transportation | 6,251,619 | (3,652,553) | - | (2,155,146) | 443,920 |
| Economic development | 15,000 | (6,647) | - | (11,188) | (2,835) |
| Culture and recreation | 1,042,885 | 8,572 | - | (248,550) | 802,907 |
| Home and community services | 4,353,766 | (268,435) | - | (5,306,802) | (1,221,471) |
| Employee benefits | 4,905,772 | - | 92,838 | (1,458,634) | 3,539,976 |
| Debt service: | | | | | |
| Principal | 1,392,725 | - | (1,392,725) | - | - |
| Interest | 700,343 | - | (5,632) | (37,369) | 657,342 |
| Total expenditures/expenses | 26,928,273 | (3,904,347) | (1,305,519) | (10,537,414) | 11,180,993 |
| Excess (deficiency) of revenue over expenditures | (2,032,692) | 3,904,347 | 1,294,343 | - | 3,165,998 |
| Other sources and (uses) | | | | | |
| Proceeds from issuance of serial bonds | 10,981,059 | - | (10,981,059) | - | - |
| Proceeds from serial bonds - refunding | 5,265,339 | - | (5,265,339) | - | - |
| Payment for refunding of bonds | (5,265,339) | - | 5,265,339 | - | - |
| Operating transfers in | 4,418,686 | - | - | (4,418,686) | - |
| Operating transfers out | (4,418,686) | - | - | 4,418,686 | - |
| Total other sources (uses) | 10,981,059 | - | (10,981,059) | - | - |
| Net change for the year | \$ 8,948,367 | \$ 3,904,347 | \$ (9,686,716) | \$ - | \$ 3,165,998 |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the *City of Olean, New York* have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The *City of Olean, New York*, which was incorporated in 1915, is governed by the Charter of the City of Olean, other general laws of the State of New York and various local laws and ordinances. The Common Council, which is the legislative body responsible for the overall operation of the City, consists of the seven aldermen elected by ward. The Mayor serves as chief executive officer and the Auditor serves as chief fiscal officer of the City.

The following basic services are provided: police and fire protection, animal control, ambulance service, street lighting, street maintenance, snow removal, and public parking. The City also operates a recreational complex, a community building, an airport, a stadium, a system of parks, and water and sewer utilities. All governmental activities and functions performed for the City of Olean are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity includes organizations, functions and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Although the following organizations, functions or activities are related to the City they are not included in the City's reporting entity because of the reasons noted:

City School District - was created by state legislation, which designates the school board as the governing authority. The voters of the district elect school board members. The board designates management and exercises complete responsibility for all fiscal matters. The Council exercises no oversight over school operations.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

3. Fund Categories (continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting/Measurement Focus (cont'd)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations (continued)

1. Governmental Funds (continued)

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

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). The City did not have any nonspendable fund balance as of June 30, 2013.

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 used to accumulate funds to finance future costs to be used for the acquisition or construction or renovation of major capital facilities or equipment.

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, 2013.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity - Reservations and Designations (continued)

1. Governmental Funds (continued)

D. Assigned

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

1. Encumbrance Reserve

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

2. Special Revenue Fund Balance

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Equity (continued)

2. Government-wide financial statements (continued)

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 position 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgetary Data (continued)

1. Budget Policies (continued)

- b. The governing board must approve all modifications of the budget. However, the City Auditor is authorized to transfer certain budgeted amounts within departments.
- c. Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances, which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Common Council approves them because of a need which exists which was not determined at the time the budget was adopted.

2. Budget Basis of Accounting

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgetary Data (continued)

2. Budget Basis of Accounting (continued)

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

| | <u>June 1, 2012 Fund Equity</u> | <u>Revenues and Other Sources</u> | <u>Expenditures and Other Uses</u> | <u>May 31, 2013 Fund Equity</u> |
|---|-------------------------------------|---------------------------------------|--|-------------------------------------|
| Total for funds included in Budget Comparison | \$ 1,447,328 | \$ 6,588,044 | \$ 6,011,250 | \$ 2,024,122 |
| Funds not included in budget comparison: | | | | |
| Revolving Loan Fund | 327,923 | 64,775 | - | 392,698 |
| First Time Homebuyers Fund | 23,163 | 24,959 | - | 47,919 |
| Housing Rehabilitation Fund | <u>2,719</u> | <u>476</u> | <u>203</u> | <u>3,195</u> |
| Total Special Revenue Funds | <u>\$ 1,801,133</u> | <u>\$ 6,678,254</u> | <u>\$ 6,011,453</u> | <u>\$ 2,437,934</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 2012-2013 was \$4,247,527 as compared to \$4,087,414 for the prior fiscal year, an increase of \$160,113. The City's General Fund Balance Sheet, as of May 31, 2013, reflects a receivable balance from Federal and State governments of \$689,128, of which \$587,127 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

During the 2008-2009 fiscal year, the City had an independent appraisal of its fixed assets conducted by third-party professionals. As such, equipment and vehicles are reported at estimated historical cost based on the appraisal. Although, land, buildings and infrastructure is reported at cost and depreciated, a reconciliation of the appraisal and recorded costs has not been performed and therefore, the reasonableness of the City's estimated cost for these assets could not be verified as of May 31, 2013 and therefore, is not in accordance with generally accepted accounting principles. Because the amount reported as fixed assets are estimated, the reported cost may significantly change once the recorded costs and appraisal are verified.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (continued)

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

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|-------------------------|--------------------------|---------------------|-----------------------|
| Buildings | \$ 200 | Straight-line | 40 years |
| Land Improvements | \$ 200 | Straight-line | 25 years |
| Furniture and equipment | \$ 200 | Straight-line | 7 years |
| Transportation vehicles | \$ 200 | Straight-line | 8 years |

J. Deferred Revenue

Deferred revenue is reported on the City's combined balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also 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 both recognition criteria are met, or when the City has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

K. Compensated Absences

Sick leave and Comp Time Pay - certain of the City's employee groups have negotiated benefits payable based on accumulated unused sick and comp days. Generally the employee must have accumulated minimum years of service with the City and must be eligible for retirement under the provisions of either the employee retirement systems. The City has recorded an estimated liability in the government-wide financial statements as of May 31, 2013 amounting to \$299,026 to recognize the cost of the benefits for those employees eligible to receive such benefits. Payment of these benefits is dependent on many factors; therefore, the timing of future payments is not readily determinable. The City believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Retirement Incentives

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

M. Estimates

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

N. Reclassification

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

O. Interfund Activity

The amounts reported on the Statement of Net 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.

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.

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 Position of Governmental Activities

Total fund equity of the City's governmental funds differs from "net position" 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.

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.

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)

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.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Cash and Investments

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. City monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The City is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. While the City does not have a specific policy with regards to custodial credit risk, New York State statutes govern the City's investment policies. At May 31, 2013, the City's bank deposits were fully collateralized.

Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2013

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

A. Assets (continued)

1. Cash and Investments (continued)

a. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by the agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name;
- (3) Uncollateralized

Total financial institution (bank) balances at May 31, 2013 per the bank were approximately \$15,493,000. These deposits are categorized as follows:

| Category 1 | Category 2 | Category 3 | Carrying Value |
|------------|---------------|------------|----------------|
| \$ 750,000 | \$ 14,743,000 | \$ - | \$15,493,000 |

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(CONTINUED)

A. Assets (continued)

2. Capital Assets

| Governmental activities: | Beginning Balance 5/31/12 | Additions / Transfers | Ending Balance 5/31/13 |
|--|---------------------------|-----------------------|------------------------|
| Capital assets that are not depreciated: | | | |
| Land | \$ 660,727 | \$ - | \$ 660,727 |
| Construction in Progress | 9,281,643 | 4,342,079 | 13,623,722 |
| Capital assets that are depreciated: | | | |
| Buildings and Improvements | 53,394,269 | 479,467 | 53,873,736 |
| Furniture and Equipment | 3,899,151 | 511,364 | 4,410,515 |
| Vehicles | 5,658,888 | 458,590 | 6,117,478 |
| Total historical Cost | 72,894,678 | \$ 5,791,500 | 78,686,178 |
| Less: Accumulated depreciation: | 25,098,824 | \$ 1,887,153 | 26,985,977 |
| Total net book Value | \$ 47,795,854 | | \$ 51,700,201 |

Depreciation expense:

| | |
|------------------------------|---------------------|
| General governmental support | \$ 340,552 |
| Public safety | 613,740 |
| Health | 3,810 |
| Transportation | 315,693 |
| Economic development | - |
| Culture and recreation | 121,488 |
| Home and community services | 491,870 |
| | <u>\$ 1,887,153</u> |

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2013

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

A. Assets (continued)

3. Receivables

Receivables at May 31, 2013 consisted of the following, which are stated at net realizable value. The City's management has deemed the amounts to be fully collectible.

| Fund | Description | Amount |
|---------------------------|--|---------------------|
| General Fund | Due from Federal & State - Other | \$ 102,001 |
| General Fund | Due from Federal & State - NYS sales tax | 587,127 |
| General Fund | Other receivables | 263,852 |
| Special Revenue: | | |
| Water Fund | Accounts receivable - water rents and meter | 741,094 |
| Water Fund | Due from Federal & State | |
| Sewer Fund | Accounts receivable - sewer rents | 723,269 |
| Sewer Fund | Due from Federal & State | |
| Community Development: | | |
| Revolving Loan | Loan receivable | 166,952 |
| 1 st Time Home | Loan receivable | 95,963 |
| Housing Rehab | Loan receivable | 7,096 |
| Capital Projects | Due from Federal & State - various projects | 1,004,814 |
| Capital Projects | Other receivables | 1,786 |
| | | <u>\$ 3,693,954</u> |

B. Liabilities

1. Deferred Revenue

Deferred revenue at May 31, 2013 was as follows:

| | General Fund | Special Revenue Fund |
|---------------------------|---------------------|----------------------|
| Real property taxes | \$ 4,919,503 | \$ - |
| Payment in-lieu of taxes | 1,206 | - |
| Special assessment taxes | 1,882 | - |
| Revolving loans | - | 166,703 |
| Housing Rehab | - | 7,126 |
| 1 st Time Home | - | 95,961 |
| | <u>\$ 4,922,591</u> | <u>\$ 269,790</u> |

Deferred real property taxes reflect collections during May 2013 for real property taxes levied on May 1 for the 2013-2014 fiscal year. Deferred special assessment taxes consist of levies on property owners to be collected after May 31, 2013. Installments on special assessments are due over a period of 5 to 10 years. Revenue from revolving loans is collected over a period of 5 to 20 years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

2. Pension Plans

a. Plan Description

The City participates in the New York State Employees' Retirement System (ERS) and the New York State Policemen's and Firemen's Retirement System (PFRS). These are cost sharing multiple-employer public employee retirement systems. The Systems provide retirement benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

b. Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions, required to be made by employers to the pension accumulation fund.

The City is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

| | | ERS | PFRS |
|---------|------|------------|-------------|
| May 31, | 2013 | \$ 755,902 | \$1,130,412 |
| | 2012 | 606,241 | 933,658 |
| | 2011 | 452,267 | 715,537 |

Effective June 1, 1986, the City entered into an agreement with the Patrol Unit of Olean Police Local 967 and the Command Unit of the Olean Police Local 967c to provide health insurance to retired police employees and surviving spouses through the Olean Police Retirees Health Insurance Fund. The City is required to contribute \$53,995 annually to the Fund.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

2. Pension Plans (continued)

b. Funding Policy (continued)

Effective June 1, 1988, the City entered into a similar agreement establishing the Olean General Unit Retirees Health Insurance Fund. The agreement called for the City to contribute \$55,569, to this Fund each year. This agreement was modified through the 2001-2004 Collective Negotiations Agreement to increase the City's contribution to \$91,000 annually to this Fund, which commenced during the 2002-2003 fiscal year.

Effective June 1, 1998, the City entered into an agreement establishing the Olean Fire Sick Leave Pay Fund. The City is required to contribute \$18,201 to this fund each year.

3. Other Post-Employment Benefits

Plan Description

The City maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the City and specified in the City's employment contracts.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended May 31, 2013 the City contributed approximately \$99,000 for plan benefits and Medicare-B reimbursements. Plan members receiving benefits contributed approximately \$0 for co-payments and other required contributions.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities for a period not to exceed thirty years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

3. Other Post-Employment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The following table summarizes the City's annual OPEB cost for 2013, the amount actually contributed to the Plan, and the changes in the City's net OPEB obligation (asset):

| | |
|--|------------------|
| Normal Cost | \$ 7,273 |
| Amortization of unfunded actuarial accrued liability | 161,616 |
| Interest adjustment | - |
| Annual required contribution adjustment | - |
| Annual OPEB cost (expense) | 168,889 |
| Contributions made | (45,464) |
| Increase in net OPEB obligation/(asset) | 123,425 |
| Net OPEB obligation/(asset) – beginning of year | 3,399 |
| Net OPEB obligation-end of year | <u>\$126,824</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012 and 2011 are as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation (Asset)</u> |
|--------------------------|-------------------------|-------------------------------------|------------------------------------|
| 6/30/13 | \$ 168,889 | 26.9% | \$ 126,824 |
| 6/30/12 | \$ 168,979 | 58.8% | \$ 3,399 |
| 6/30/11 | \$ 166,643 | 110.1% | \$ (66,218) |

Funding Status and Funding Progress

As of June 30, 2013, the actuarial accrued liability for benefits was \$1,336,369, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was approximately \$0 and the ratio of unfunded actuarial liability to the covered payroll was 0% as the actuarial accrued liability was related to retirees of the City.

NOTE 3 – DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

3. Other Post-Employment Benefits (continued)

Funding Status and Funding Progress (continued)

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

Actuarial Methods and Assumptions

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

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

Mortality – Life expectancies were based on the 1994 GAR Mortality Table.

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

Health insurance premiums – 2008 health insurance premiums are used as the basis for calculation of the present value of total benefits to be paid.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

3. Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

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

4. Short-Term Debt

a. Bond Anticipation Notes

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

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

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

In August 2012, the *City of Olean, New York* issued public improvement serial bonds in the general fund in the amount of \$9,250,000. Proceeds from the issuance along with a payment in the amount of \$237,895 (BAN Redeemed from Appropriation) was used to pay down the outstanding bond anticipation notes which matured on August 9, 2012.

In August 2012, the *City of Olean, New York* issued public improvement serial bonds in the sewer fund in the amount of \$1,731,059. Proceeds from the issuance was used to pay down the outstanding bond anticipation notes in the amount of \$1,695,000 which matured on August 9, 2012 along with accrued interest and bond issuance costs in the amounts of \$26,000 and \$10,059 respectively.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

4. Short-Term Debt (continued)

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, 2013 and 2012.

c. Short-Term Debt Interest

Interest expense related to the bond anticipation notes amounted to \$26,952 during the fiscal year ended May 31, 2013 of which \$906, \$25,248, and \$798 was incurred in the general, water, and sewer funds, respectively.

5. Long-Term Debt

a. Debt Limit

At May 31, 2013 the total outstanding indebtedness of the City aggregated \$26,121,186 (including bond anticipation notes and revenue anticipation notes). Of this amount, \$2,712,127 is subject to the constitutional debt limit and represented approximately 8.03% of its statutory debt limit.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

b. Serial Bonds

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

In May 2013, the *City of Olean, New York* issued public improvement refunding serial bonds in the water fund in the amount of \$5,210,000 and maturing on August 15, 2038. Proceeds from the issuance was used to pay down the outstanding serial bond in the amount of \$5,098,000 which was to mature on August 15, 2038.

c. Other Long-Term Debt

In addition to the above long-term debt, the *City of Olean, New York* has a loan from New York State to finance the construction of Constitution Avenue. The balance of this loan at May 31, 2013 was \$47,131. Although the loan is in the City of Olean's name, the Towns of Allegany and Olean are responsible for 59% of the loan or \$31,189, which is recorded in due from other governments. Both the asset and liability are recorded in the government-wide financial statements.

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.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2013

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

d. Installment Purchase Debt – Capital Leases

During the 2009-10 fiscal year, the *City of Olean, New York* entered into a \$1,046,586 15-year capital lease with Manufacturers and Traders Trust Company in concurrence with the *City of Olean, New York's* Energy Performance Audit. Equipment included in the lease agreement consists of lighting and lighting controls, building envelope upgrades, a low emissivity ceiling, energy efficient motor replacement, a pump, VFD, and control upgrades to be used throughout various buildings. During the current fiscal year, principal and interest paid on this capital lease totaled approximately \$113,809, 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, 2013 of \$17,071, \$87,633, and \$9,105, respectively.

e. Summary Long-Term Debt

The following is a summary of bonds outstanding as of May 31, 2013:

| | Issued | Original Amount | Interest Rate | Final Maturity | Outstanding May 31, 2013 |
|-------------------------------------|--------|-----------------|---------------|----------------|--------------------------|
| General Fund | | | | | |
| Various Purpose | 08/04 | 938,383 | Various | 08/14 | 67,750 |
| Public Improvement Bond | 08/06 | 1,160,000 | Various | 08/14 | 195,000 |
| Public Improvement Bond | 08/10 | 870,000 | Various | 08/20 | 652,709 |
| Deficit Financing Bond | 08/10 | 1,444,070 | Various | 08/20 | 1,084,039 |
| Public Improvement Bond | 08/12 | 9,250,000 | Various | 08/33 | 9,250,000 |
| Special Revenue Funds | | | | | |
| Water Filtration Plant-Ref. | 10/12 | 2,060,000 | Various | 10/32 | 2,060,000 |
| Water Filtration Plant | 07/03 | 1,809,453 | Various | 07/23 | 1,100,000 |
| Water Reservoir | 07/03 | 4,665,163 | Various | 07/24 | 3,050,000 |
| Water Filtration Plant | 05/13 | 5,868,000 | Various | 08/38 | 5,210,000 |
| Water Fund – Various | 08/04 | 207,262 | Various | 08/14 | 8,750 |
| Water Fund – Various | 08/09 | 325,000 | Various | 08/19 | 215,000 |
| Water Fund – Odor Control | 08/09 | 339,190 | 4.70% | 08/16 | 215,000 |
| Water Fund – Deficit Financing Bond | 08/10 | 327,940 | Various | 08/20 | 244,058 |
| Sewer Fund – Various | | | | | |
| Sewer Fund – Public Imp. | 08/04 | 82,905 | Various | 08/14 | 3,500 |
| Sewer Fund – Public Imp. | 08/06 | 80,000 | Various | 08/14 | 20,000 |
| Sewer Fund – Various | 08/09 | 580,000 | Various | 08/19 | 425,000 |
| Sewer Fund – Catch Basin | 08/10 | 585,000 | Various | 08/20 | 485,000 |
| Sewer Fund – Deficit Financing Bond | 08/10 | 227,990 | Various | 08/20 | 169,194 |
| Sewer Fund – Public Imp | 08/12 | 1,731,059 | Various | 08/33 | 1,651,059 |
| Total | | | | | \$ 26,106,059 |

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 2009-10 fiscal year, the *City of Olean, New York* entered into a \$411,623 5-year capital lease with First Niagara Bank. Equipment included in the lease agreement consists of a 2009 Vac-Con Sewer Cleaner and a 2009 Pelican Street Sweeper. During the current fiscal year, principal and interest paid on this capital lease totaled approximately \$87,729, which is included in the interfund transfers to the City's debt service fund. The General Fund and Sewer Fund each paid principal and interest for the year ended May 31, 2013 of \$35,092 and \$52,637, respectively.

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, 2013:

| | Payable at June 1, 2012 | Additions | Reductions | Balance at May 31, 2013 |
|--|----------------------------|----------------------|---------------------|----------------------------|
| Bonds | \$ 5,650,000 | \$ 10,981,059 | \$ 845,000 | \$ 15,786,059 |
| EFC Grid Note/Bond | 2,135,000 | 2,060,000 | 2,135,000 | 2,060,000 |
| EFC Grid Bond | 3,265,000 | - | 215,000 | 3,050,000 |
| RD Bond | 5,200,000 | 5,210,000 | 5,200,000 | 5,210,000 |
| | <u>16,250,000</u> | <u>18,251,059</u> | <u>8,395,000</u> | <u>26,106,059</u> |
| Amortization of Bond Issuance Costs | - | (112,000) | (368) | (111,632) |
| Subtotal | <u>16,250,000</u> | <u>18,139,059</u> | <u>8,394,632</u> | <u>25,994,427</u> |
| Due to Other | | | | |
| Governments | 71,363 | - | 24,232 | 47,131 |
| Environmental Liability | 732,000 | - | - | 732,000 |
| Retirement Incentive | 28,693 | - | 5,620 | 23,073 |
| Compensated Absences | 323,993 | - | 24,967 | 299,026 |
| Other Post-Employment Benefits | 3,399 | 123,425 | - | 126,824 |
| Capital Leases | 1,091,229 | - | 131,493 | 959,736 |
| Subtotal | <u>2,250,677</u> | <u>123,425</u> | <u>186,312</u> | <u>2,187,790</u> |
| | <u>\$ 18,500,677</u> | <u>\$ 18,262,484</u> | <u>\$ 8,580,944</u> | <u>\$ 28,182,217</u> |

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

g. Long-Term Debt Interest

Interest expense on long term indebtedness totaled \$673,391 for the year ended May 31, 2013, of which \$603 was recorded in the general fund, while \$672,788 was recorded in the debt service fund.

h. Maturity

The following table summarizes the City's future serial bond debt, Rural Development and EFC bond and debt service requirements as of May 31, 2013:

| Year Ending May 31 | Total | Principal | Interest |
|-----------------------|---------------------|----------------------|---------------------|
| 2014 | \$ 2,321,869 | \$ 1,701,059 | \$ 620,810 |
| 2015 | 2,317,035 | 1,690,000 | 627,035 |
| 2016 | 2,204,041 | 1,615,000 | 589,041 |
| 2017 | 2,193,825 | 1,645,000 | 548,825 |
| 2018 | 2,127,494 | 1,620,000 | 507,494 |
| 2019-2023 | 8,254,054 | 6,310,000 | 1,944,054 |
| 2024-2028 | 6,284,947 | 4,985,000 | 1,299,947 |
| 2029-2033 | 5,579,767 | 4,970,000 | 609,767 |
| 2034-2038 | 1,453,759 | 1,285,000 | 168,759 |
| 2039-2043 | 290,700 | 285,000 | 5,700 |
| Total | \$33,027,491 | \$ 26,106,059 | \$ 6,921,432 |

The following table summarizes the City's future amounts due to other governments as of May 31, 2013

| Year Ending May 31 | Total | Principal | Interest |
|-----------------------|------------------|------------------|---------------|
| 2014 | 24,835 | 24,475 | 360 |
| 2015 | 22,769 | 22,656 | 113 |
| Total | \$ 47,604 | \$ 47,131 | \$ 473 |

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (continued)

5. Long-Term Debt (continued)

h. Maturity (continued)

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

| Year Ending May 31 | Total | Principal | Interest |
|-----------------------|---------------------|-------------------|-------------------|
| 2014 | \$ 187,094 | \$ 123,357 | \$ 63,737 |
| 2015 | 113,809 | 56,229 | 57,580 |
| 2016 | 113,808 | 60,234 | 53,574 |
| 2017 | 113,808 | 64,524 | 49,284 |
| 2018 | 113,808 | 69,120 | 44,688 |
| 2019-2023 | 569,043 | 426,845 | 142,198 |
| 2024-2027 | 170,714 | 159,427 | 11,287 |
| Total | \$ 1,382,084 | \$ 959,736 | \$ 422,348 |

C. Deferred Compensation Plan

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

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transactions

Interfund receivables and payables at May 31, 2013 and interfund transactions during the fiscal year ended May 31, 2013 were as follows:

| | <u>Due From Other Funds</u> | <u>Due to Other Funds</u> | <u>Long-Term Advances Receivable</u> | <u>Long-Term Advances Payable</u> | <u>Interfund Revenue</u> | <u>Interfund Expenditures</u> |
|-----------------------|---------------------------------|-------------------------------|--|---|------------------------------|-----------------------------------|
| General Fund | \$ 430,326 | \$ 278,010 | \$ 752,862 | \$ - | \$ - | \$ 3,188,127 |
| Capital Projects Fund | 9,749 | 357,842 | - | - | 2,716,541 | 19,000 |
| Agency Fund | 2,716 | 9,513 | - | - | - | - |
| Debt Service Fund | - | 63,368 | - | - | 1,702,145 | - |
| Sewer Fund | 156,289 | 34,749 | 20,416 | 310,938 | - | 534,776 |
| Water Fund | 144,372 | - | - | 462,340 | - | 676,783 |
| Housing Rehab Fund | 30 | - | - | - | - | - |
| Totals | <u>\$ 743,482</u> | <u>\$ 743,482</u> | <u>\$ 773,278</u> | <u>\$ 773,278</u> | <u>\$ 4,418,686</u> | <u>\$ 4,418,686</u> |

During the current year, the General, Water, and Sewer funds transferred \$588,127, \$645,242, and \$468,776, respectively to the Debt Service Fund to pay for the City's long-term debt obligations.

In addition, the General, Water and Sewer funds also transferred \$2,600,000, \$31,541, and \$66,000 to the City's Capital Projects fund for cost associated with the East State Street Construction, Vehicle Replacement, Narrow Band Radio Upgrade and other assorted capital projects.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

General Information

The *City of Olean, New York* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. The City is self-insured against unemployment claims.

B. Compensated Absences

The City does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value for accumulating, non-vesting sick leave is considered a contingent liability.

NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

D. Litigation

The City is currently involved in a number of tax certiorari proceedings which are in the discovery phases. At this time, it is not possible to predict with certainty the outcome of these matters.

The City currently has some matters and claims that have been referred to the City's insurance carrier for defense.

E. Employee Contracts

The City of Olean has four collective bargaining units, Police Patrol Unit, Police Command Unit, Civil Service Employees Association Unit and Olean Professional Fire Fighters Association. The two Police Unions have entered in contracts that will expire on May 31, 2015. The Civil Service Employees Association Unit and Olean Professional Fire Fighters Association expired on May 31, 2011.

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2013

NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

F. Environmental

In 1994 the *City of Olean, New York* determined that leakage problems existed at the site of its former landfill in Ischua, New York. The City was issued an Order on Consent by the Department of Environmental Conservation (DEC) which required the City to prepare an engineering report for the wetland treatment system and to construct a leachate collection and treatment system. The City complied with preparing plans for the treatment system and submitted it to NYSDEC and has not received a response as of the audit report date. The City has accrued \$125,000 as of May 31, 2013, for the estimated costs associated with this Order. It is not known at this time whether other remediation costs will be necessary.

The *City of Olean, New York* has negotiated a settlement with the Department of Environmental Conservation (DEC) regarding the City's wastewater treatment plant. The final Order on Consent includes a schedule of compliance which sets forth dates for various plans of action concerning the wastewater treatment plant and requires the City to complete and submit an assessment of its sanitary sewer system, pumping stations, and a wet weather operation plant. The *City of Olean, New York* submitted its plans for monitoring, maintenance and necessary remedial actions regarding the wastewater treatment plant with the assistance of their engineering consultants. These plans are based on the results of smoke testing which have taken place over the last three years. As part of the plan, the *City of Olean, New York* entered into a contract with its engineering consultants on May 28, 2003 for estimated costs of approximately \$1,326,000. An initial BAN of \$128,810 was issued in a previous fiscal year for the system engineering and design costs.

On August 19, 2004, the City issued bond anticipation notes in the amount of \$2,705,000 of which \$700,000 was designated for the first two phases of this project. On August 19, 2005 the City issued an additional BAN in the amount of \$700,000 for the last phases of this project. In 2006 the City completed a new master plan for the waste water system and submitted the plan to the DEC for their review.

In a prior year, the City accrued \$1,500,000 in the statement of net position as an estimate of the cost of remedial actions; this liability has been reduced by related costs incurred during the current and prior years and as of May 31, 2013, the estimated liability stands at \$607,000.

NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

F. Environmental (continued)

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

G. Retirement Incentives

In a December 2006, the *City of Olean, New York* offered retirement incentives to certain employees. Employees whom participated in the incentive were eligible to receive continuation of health coverage for five years or a cash alternative. Total accumulated costs associated with the incentive approximated \$995,000, of which \$972,000 was paid during prior fiscal years. The remaining \$23,073 is recognized as a liability in the Statement of Net position. Future payments related to the incentive are as follows:

| Year Ending May 31 | Incentive |
|--------------------|------------------|
| 2014 | \$ 3,000 |
| 2015 | 4,000 |
| 2016 | 4,000 |
| 2017 | 4,000 |
| 2018 | 4,000 |
| 2019 | 4,073 |
| Total | <u>\$ 23,073</u> |

CITY OF OLEAN, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2013

NOTE 5 – FUND BALANCE

1. Classification

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

| Category/Fund | Description | May 31, 2013 |
|-----------------------|------------------------------|-----------------|
| Restricted: | | |
| Debt Service | Reserve for debt service | \$ 42,667 |
| Capital | Reserve for Capital | \$ 4,165,272 |
| Assigned: | | |
| General | Reserve for encumbrances | \$ 312,199 |
| Water | Reserve for encumbrances | \$ 161,755 |
| | Appropriated for Next Year | 51,958 |
| | Special Revenue Fund Balance | 735,082 |
| | | \$ 948,795 |
| Sewer | Reserve for encumbrances | \$ 199,500 |
| | Appropriated for Next Year | 76,506 |
| | Special Revenue Fund Balance | 799,321 |
| | | \$ 1,075,327 |
| First Time Homebuyers | Special Revenue Fund Balance | \$ 47,919 |
| Housing Rehab | Special Revenue Fund Balance | \$ 3,195 |
| Revolving Loan | Special Revenue Fund Balance | \$ 392,698 |

2. Accumulated Deficits

The *City of Olean, New York* had certain projects (Fire Hall Relocation, Downtown Facilities Upgrade, Brownfield Opportunity Area Program and Waste Water Treatment Plant Master Plan) that when closed out will have deficit fund balances. As a result, the City will be required to transfer funds from its general fund to eliminate the capital project deficits. Management is developing plans to alleviate these deficits in future years.

| Capital Project | May 31, 2013 |
|---|--------------|
| Fire Hall Relocation | \$ 3,478 |
| Downtown Facilities Upgrade | 193,906 |
| Brownfield Opportunity Areas Program | 20,246 |
| Waste Water Treatment Plant Master Plan | 103,888 |
| Subtotal | \$ 321,518 |

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 8, 2014, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
GENERAL FUND
AS OF MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|---|------------------------|------------------------|
| <u>Assets</u> | | |
| Cash on hand | \$ 1,308 | \$ 1,308 |
| Cash on deposit | | |
| Regular accounts | 8,591,083 | 10,593,521 |
| Receivables | | |
| Refuse and garbage | 1,869 | 1,869 |
| Special assessment | 1,882 | 1,882 |
| Accounts receivable | 260,101 | 155,249 |
| Due from other funds | 430,326 | 47,483 |
| Advances to other funds | 752,862 | 568,210 |
| State and federal | 689,128 | 795,704 |
| Total assets | \$ 10,728,559 | \$ 12,165,226 |
| <u>Liabilities and Fund Equity</u> | | |
| Liabilities | | |
| Accounts payable | \$ 263,243 | \$ 284,255 |
| Accrued liabilities | 479,136 | 553,116 |
| Due to other funds | 278,010 | 617,850 |
| Due to employee retirement system | 290,328 | 253,070 |
| Other liabilities | 19,257 | 16,044 |
| Deferred revenue | 4,922,591 | 4,696,481 |
| Total liabilities | 6,252,565 | 6,420,816 |
| Fund Equity | | |
| Assigned | 312,199 | 307,346 |
| Unassigned | 4,163,795 | 5,437,064 |
| Total fund equity | 4,475,994 | 5,744,410 |
| | \$ 10,728,559 | \$ 12,165,226 |

CITY OF OLEAN, NEW YORK**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
GENERAL FUND****FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012****Page 40**

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Revenue | | |
| Real property taxes | \$ 7,116,673 | \$ 6,990,983 |
| Special assessment tax - real property | 15,139 | 20,379 |
| Real property tax items | 146,101 | 199,363 |
| Non-property tax items | 4,649,462 | 4,451,814 |
| Departmental income | 1,278,018 | 1,401,875 |
| Intergovernmental charges | 134,498 | 150,545 |
| Use of money and property | 12,532 | 21,268 |
| Licenses and permits | 46,817 | 47,367 |
| Fines and forfeitures | 81,906 | 93,550 |
| Sales of property and compensation for loss | 12,359 | 935 |
| Miscellaneous local sources | - | 7,774 |
| State aid | 2,736,290 | 2,724,689 |
| Federal aid | 139,900 | 207,720 |
| Total revenue | 16,369,695 | 16,318,262 |
| Expenditures | | |
| General government support | 2,154,905 | 2,101,229 |
| Public safety | 5,206,659 | 5,261,844 |
| Health | 32,733 | 55,217 |
| Transportation | 1,924,809 | 2,185,578 |
| Economic development | 15,000 | - |
| Culture and recreation | 1,036,238 | 1,105,889 |
| Home and community services | 134,779 | 135,455 |
| Employee benefits | 3,889,120 | 3,713,728 |
| Debt service: | | |
| Principal | 24,232 | 23,990 |
| Interest | 1,509 | 4,924 |
| Total expenditures | 14,419,984 | 14,587,854 |
| Excess of revenue over expenditures | 1,949,711 | 1,730,408 |
| Other financing sources (uses) | | |
| BANS redeemed from appropriations | (30,000) | (30,000) |
| Operating transfers in | - | 30,000 |
| Operating transfers out | (3,188,127) | (2,239,359) |
| Total other financing sources (uses) | (3,218,127) | (2,239,359) |
| Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses | (1,268,416) | (508,951) |
| Fund equity, beginning of year | 5,744,410 | 6,253,361 |
| Fund equity, end of year | \$ 4,475,994 | \$ 5,744,410 |

**CITY OF OLEAN, NEW YORK
COMBINING BALANCE SHEET -
ALL SPECIAL REVENUE FUNDS
AS OF MAY 31, 2013**

| | Water | Sewer | Community Development | | | (Memo only) Total |
|---|---------------------|---------------------|---------------------------|-----------------------------------|----------------------------------|----------------------|
| | | | Revolving Loan Fund | Housing Rehabilitation Fund | First Time Homebuyers Fund | |
| Assets | | | | | | |
| Cash on hand | \$ 40 | \$ - | \$ - | \$ - | \$ - | \$ 40 |
| Cash on deposit | | | | | | |
| Regular accounts | 711,242 | 650,716 | 396,663 | 3,195 | 47,942 | 1,809,758 |
| Receivables | | | | | | |
| Accounts receivable | 741,094 | 723,269 | - | - | - | 1,464,363 |
| Advances to other funds | - | 20,416 | - | - | - | 20,416 |
| Due from other funds | 144,372 | 156,289 | - | 30 | - | 300,691 |
| Revolving loans receivable | - | - | 166,952 | - | - | 166,952 |
| First Time Homebuyers loans receivable | - | - | - | - | 95,963 | 95,963 |
| Rehabilitation loans receivable | - | - | - | 7,096 | - | 7,096 |
| Total assets | \$ 1,596,748 | \$ 1,550,690 | \$ 563,615 | \$ 10,321 | \$ 143,905 | \$ 3,865,279 |
| Liabilities | | | | | | |
| Accounts payable | \$ 90,988 | \$ 48,331 | \$ - | \$ - | \$ - | \$ 139,319 |
| Accrued liabilities | 55,069 | 52,561 | - | - | - | 107,630 |
| Due to other funds | - | 34,749 | - | - | - | 34,749 |
| Advances from other funds | 462,340 | 310,938 | - | - | - | 773,278 |
| Other liabilities/due to retirement systems | 39,556 | 28,784 | 4,214 | - | 25 | 72,579 |
| Deferred revenue | - | - | 166,703 | 7,126 | 95,961 | 269,790 |
| Total liabilities | 647,953 | 475,363 | 170,917 | 7,126 | 95,986 | 1,397,345 |
| Fund Equity | | | | | | |
| Assigned | 948,795 | 1,075,327 | 392,698 | 3,195 | 47,919 | 2,467,934 |
| Total fund equity | 948,795 | 1,075,327 | 392,698 | 3,195 | 47,919 | 2,467,934 |
| Total liabilities and fund equity | \$ 1,596,748 | \$ 1,550,690 | \$ 563,615 | \$ 10,321 | \$ 143,905 | \$ 3,865,279 |

CITY OF OLEAN, NEW YORK
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MAY 31, 2013

| | Water | Sewer | Community Development | | | (Memo only) Total |
|--|-------------------|---------------------|---------------------------|-----------------------------------|----------------------------------|----------------------|
| | | | Revolving Loan Fund | Housing Rehabilitation Fund | First Time Homebuyers Fund | |
| Revenue | | | | | | |
| Departmental income | \$ 3,246,805 | \$ 2,945,372 | \$ 62,763 | \$ 475 | \$ 24,950 | \$ 6,280,365 |
| Intergovernmental charges | - | 388,494 | - | - | - | 388,494 |
| Use of money and property | - | - | 2,012 | 1 | 9 | 2,022 |
| Sales of property & compensation for loss | 1,773 | - | - | - | - | 1,773 |
| State aid | - | 5,600 | - | - | - | 5,600 |
| Total revenue | 3,248,578 | 3,339,466 | 64,775 | 476 | 24,959 | 6,678,254 |
| Expenditures | | | | | | |
| General government support | 59,908 | 58,455 | - | - | - | 118,363 |
| Home and community services | 1,729,501 | 1,701,234 | - | - | 203 | 3,430,938 |
| Employee benefits | 493,382 | 523,270 | - | - | - | 1,016,652 |
| Debt service - interest expense | 25,248 | 798 | - | - | - | 26,046 |
| Total expenditures | 2,308,039 | 2,283,757 | - | - | 203 | 4,591,999 |
| Excess (deficiency) of revenue over expenditures | 940,539 | 1,055,709 | 64,775 | 476 | 24,756 | 2,086,255 |
| Other financing uses | | | | | | |
| BANs redeemed from appropriations | (35,000) | (172,895) | - | - | - | (207,895) |
| Operating transfers out | (676,783) | (534,776) | - | - | - | (1,211,559) |
| Total financing uses | (711,783) | (707,671) | - | - | - | (1,419,454) |
| Excess (deficiency) of revenue over expenditures and other financing uses | 228,756 | 348,038 | 64,775 | 476 | 24,756 | 666,801 |
| Fund equity, beginning of year | 720,039 | 727,289 | 327,923 | 2,719 | 23,163 | 1,801,133 |
| Fund equity, end of year | \$ 948,795 | \$ 1,075,327 | \$ 392,698 | \$ 3,195 | \$ 47,919 | \$ 2,467,934 |

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF MAY 31, 2013 AND 2012

| | May 31 | May 31 |
|---|---------------------|---------------------|
| | 2013 | 2012 |
| Assets | | |
| Cash on hand | \$ 40 | \$ 40 |
| Cash on deposit | | |
| Regular accounts | 1,809,758 | 1,578,256 |
| Accounts receivable | 1,464,363 | 1,514,121 |
| Advances to other funds | 20,416 | 97,771 |
| Due from other funds | 300,691 | 268,456 |
| Revolving loans receivable | 166,952 | 224,247 |
| First time homebuyers loans receivable | 95,963 | 117,695 |
| Rehabilitation loans receivable | 7,096 | 7,470 |
| Total assets | \$ 3,865,279 | \$ 3,808,056 |
| Liabilities | | |
| Accounts payable | \$ 139,319 | \$ 182,503 |
| Accrued liabilities | 107,630 | 99,512 |
| Due to other funds | 34,749 | 584,749 |
| Advances from other funds | 773,278 | 665,981 |
| Other liabilities/due to retirement systems | 72,579 | 124,989 |
| Deferred revenues | 269,790 | 349,189 |
| Total liabilities | 1,397,345 | 2,006,923 |
| Fund Equity | | |
| Assigned | 2,467,934 | 1,801,133 |
| Total fund equity | 2,467,934 | 1,801,133 |
| Total liabilities and fund equity | \$ 3,865,279 | \$ 3,808,056 |

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012

Page 44

| | May 31 2013 | May 31 2012 |
|--|---------------------|---------------------|
| Revenue | | |
| Departmental income | \$ 6,280,365 | \$ 6,516,496 |
| Intergovernmental charges | 388,494 | 329,918 |
| Use of money and property | 2,022 | 1,421 |
| Sales of property and compensation for loss | 1,773 | 4,409 |
| State aid | 5,600 | 4,864 |
| Total revenue | 6,678,254 | 6,857,108 |
| Expenditures | | |
| General government support | 118,363 | 119,024 |
| Home and community services | 3,430,938 | 3,646,495 |
| Employee benefits | 1,016,652 | 1,010,098 |
| Debt service - interest expense | 26,046 | 157,043 |
| Total expenditures | 4,591,999 | 4,932,660 |
| Excess of revenue over expenditures | 2,086,255 | 1,924,448 |
| Other financing sources (uses) | | |
| BANs redeemed from appropriations | (207,895) | (287,105) |
| Operating transfers out | (1,211,559) | (2,684,207) |
| Total other financing uses | (1,419,454) | (2,971,312) |
| Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses | 666,801 | (1,046,864) |
| Fund equity, beginning of year | 1,801,133 | 2,847,997 |
| Fund equity, end of year | \$ 2,467,934 | \$ 1,801,133 |

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
WATER FUND
AS OF MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|---|------------------------|------------------------|
| Assets | | |
| Cash on hand | \$ 40 | \$ 40 |
| Cash on deposit | | |
| Regular accounts | 711,242 | 659,426 |
| Accounts receivable | 741,094 | 771,337 |
| Due from other funds | 144,372 | 157,598 |
| Total assets | \$ 1,596,748 | \$ 1,588,401 |
| Liabilities | | |
| Accounts payable | \$ 90,988 | \$ 116,864 |
| Accrued liabilities | 55,069 | 57,128 |
| Advances from other funds | 462,340 | 665,981 |
| Other liabilities/due to retirement systems | 39,556 | 28,389 |
| Total liabilities | 647,953 | 868,362 |
| Fund Equity | | |
| Assigned | 948,795 | 720,039 |
| Total fund equity | 948,795 | 720,039 |
| Total liabilities and fund equity | \$ 1,596,748 | \$ 1,588,401 |

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - WATER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Revenue | | |
| Departmental income | \$ 3,246,805 | \$ 3,293,797 |
| Sales of property and compensation for loss | 1,773 | 4,409 |
| Total revenue | 3,248,578 | 3,298,206 |
| Expenditures | | |
| General government support | 59,908 | 60,665 |
| Home and community services | 1,729,501 | 1,790,034 |
| Employee benefits | 493,382 | 494,385 |
| Debt service - interest expense | 25,248 | 61,597 |
| Total expenditures | 2,308,039 | 2,406,681 |
| Excess of revenue over expenditures | 940,539 | 891,525 |
| Other financing sources (uses) | | |
| BANS redeemed from appropriations | (35,000) | (30,000) |
| Operating transfers out | (676,783) | (1,153,592) |
| Total other financing sources (uses) | (711,783) | (1,183,592) |
| Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses | 228,756 | (292,067) |
| Fund equity, beginning of year | 720,039 | 1,012,106 |
| Fund equity, end of year | \$ 948,795 | \$ 720,039 |

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - WATER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2013

| | Original Budget | Amended Budget | Actual | Encumbrances | Variance Favorable (Unfavorable) |
|--|--------------------|---------------------|-------------------|---------------------|--|
| Revenue | | | | | |
| Departmental income | \$ 3,255,650 | \$ 3,255,650 | \$ 3,246,805 | \$ - | \$ (8,845) |
| Sales of property and compensation for loss | - | - | 1,773 | - | 1,773 |
| Total revenue | 3,255,650 | 3,255,650 | 3,248,578 | - | (7,072) |
| Expenditures | | | | | |
| General government support | 215,000 | 205,000 | 59,908 | - | 145,092 |
| Home and community services | 1,870,015 | 1,985,304 | 1,729,501 | 161,755 | 94,048 |
| Employee benefits | 498,283 | 498,283 | 493,382 | - | 4,901 |
| Debt service - interest expense | - | - | 25,248 | - | (25,248) |
| Total expenditures | 2,583,298 | 2,688,587 | 2,308,039 | 161,755 | 218,793 |
| Excess (deficiency) of revenue over expenditures | 672,352 | 567,063 | 940,539 | (161,755) | 211,721 |
| Other financing sources (uses) | | | | | |
| BANS redeemed from appropriations | - | - | (35,000) | - | (35,000) |
| Operating transfers out | (669,965) | (701,506) | (676,783) | - | 24,723 |
| Total other financing sources (uses) | (669,965) | (701,506) | (711,783) | - | (10,277) |
| Excess (deficiency) of revenue over expenditures and other financing uses | \$ 2,387 | \$ (134,443) | \$ 228,756 | \$ (161,755) | \$ 201,444 |

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SEWER FUND
AS OF MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Assets | | |
| Cash | \$ 650,716 | \$ 557,871 |
| Accounts receivable | 723,269 | 742,784 |
| Advances from other funds | 20,416 | 97,771 |
| Due from other funds | 156,289 | 110,828 |
| Total assets | \$ 1,550,690 | \$ 1,509,254 |
| Liabilities | | |
| Accounts payable | \$ 48,331 | \$ 65,639 |
| Accrued liabilities | 52,561 | 42,384 |
| Advances from other funds | 310,938 | - |
| Due to other funds | 34,749 | 584,749 |
| Other liabilities/due to other governments | 28,784 | 89,193 |
| Total liabilities | 475,363 | 781,965 |
| Fund Equity | | |
| Assigned | 1,075,327 | 727,289 |
| Total fund equity | 1,075,327 | 727,289 |
| Total liabilities and fund equity | \$ 1,550,690 | \$ 1,509,254 |

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - SEWER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Revenue | | |
| Departmental income | \$ 2,945,372 | \$ 3,111,813 |
| Intergovernmental charges | 388,494 | 329,918 |
| State aid | 5,600 | 4,864 |
| Total revenue | 3,339,466 | 3,446,595 |
| Expenditures | | |
| General government support | 58,455 | 58,359 |
| Home and community services | 1,701,234 | 1,807,579 |
| Employee benefits | 523,270 | 515,713 |
| Debt service - interest expense | 798 | 95,446 |
| Total expenditures | 2,283,757 | 2,477,097 |
| Excess of revenue over expenditures | 1,055,709 | 969,498 |
| Other financing sources (uses) | | |
| BANs redeemed from appropriations | (172,895) | (257,105) |
| Operating transfers out | (534,776) | (1,530,615) |
| Total other financing uses | (707,671) | (1,787,720) |
| Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses | 348,038 | (818,222) |
| Fund equity, beginning of year | 727,289 | 1,545,511 |
| Fund equity, end of year | \$ 1,075,327 | \$ 727,289 |

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - SEWER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2013

| | Original Budget | Amended Budget | Actual | Encumbrances | Variance Favorable (Unfavorable) |
|--|--------------------|--------------------|-------------------|---------------------|--|
| Revenue | | | | | |
| Departmental income | \$ 3,193,920 | \$ 3,193,920 | \$ 2,945,372 | \$ - | \$ (248,548) |
| Intergovernmental charges | 195,000 | 195,000 | 388,494 | - | 193,494 |
| State aid | - | - | 5,600 | - | 5,600 |
| Total revenue | 3,388,920 | 3,388,920 | 3,339,466 | - | (49,454) |
| Expenditures | | | | | |
| General government support | 212,000 | 146,000 | 58,455 | - | 87,545 |
| Home and community services | 1,944,086 | 1,998,486 | 1,701,234 | 199,500 | 97,752 |
| Employee benefits | 529,650 | 529,650 | 523,270 | - | 6,380 |
| Debt service - interest expense | - | - | 798 | - | (798) |
| Total expenditures | 2,685,736 | 2,674,136 | 2,283,757 | 199,500 | 190,879 |
| Excess (deficiency) of revenue over expenditures | 703,184 | 714,784 | 1,055,709 | (199,500) | 141,425 |
| Other financing sources (uses) | | | | | |
| BANs redeemed from appropriations | - | - | (172,895) | - | (172,895) |
| Operating transfers out | (703,178) | (769,178) | (534,776) | - | 234,402 |
| Total other financing uses | (703,178) | (769,178) | (707,671) | - | 61,507 |
| Excess (deficiency) of revenue over expenditures and other financing uses | \$ 6 | \$ (54,394) | \$ 348,038 | \$ (199,500) | \$ 202,932 |

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
REVOLVING LOAN FUND
AS OF MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Assets | | |
| Cash on deposit - Regular accounts | \$ 396,663 | \$ 335,055 |
| Rehabilitation loans receivable | 166,952 | 224,247 |
| Total assets | \$ 563,615 | \$ 559,302 |
| Liabilities | | |
| Deferred revenue | \$ 166,703 | \$ 223,997 |
| Due to other agency | 4,214 | 7,382 |
| Total liabilities | 170,917 | 231,379 |
| Fund Equity | | |
| Assigned | 392,698 | 327,923 |
| Total fund equity | 392,698 | 327,923 |
| Total liabilities and fund equity | \$ 563,615 | \$ 559,302 |

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - REVOLVING LOAN FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012

| | <u>May 31</u> <u>2013</u> | <u>May 31</u> <u>2012</u> |
|---|------------------------------|------------------------------|
| Revenue | | |
| Departmental income | \$ 62,763 | \$ 83,340 |
| Use of money and property | 2,012 | 1,416 |
| Total revenue | <u>64,775</u> | <u>84,756</u> |
| Expenditures | | |
| Home and community services | - | 15,049 |
| Total expenditures | <u>-</u> | <u>15,049</u> |
| Excess of revenue over expenditures and other uses | 64,775 | 69,707 |
| Fund equity, beginning of year | <u>327,923</u> | <u>258,216</u> |
| Fund equity, end of year | <u>\$ 392,698</u> | <u>\$ 327,923</u> |

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
HOUSING REHABILITATION FUND
AS OF MAY 31, 2013 AND 2012

Page 53

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Assets | | |
| Cash on deposit - regular accounts | \$ 3,195 | \$ 2,719 |
| Due from other funds | 30 | 30 |
| Rehabilitation loans receivable | 7,096 | 7,470 |
| Total assets | \$ 10,321 | \$ 10,219 |
| Liabilities | | |
| Deferred revenue | \$ 7,126 | \$ 7,500 |
| Total liabilities | 7,126 | 7,500 |
| Fund Equity | | |
| Assigned | 3,195 | 2,719 |
| Total fund equity | 3,195 | 2,719 |
| Total liabilities and fund equity | \$ 10,321 | \$ 10,219 |

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - HOUSING REHABILITATION FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Revenue | | |
| Departmental income | \$ 475 | \$ 475 |
| Use of money and property | 1 | 2 |
| Total revenue | 476 | 477 |
| Expenditures | | |
| Home and community services | - | 3,955 |
| Total expenditures | - | 3,955 |
| Excess (Deficiency) of revenue over expenditures | 476 | (3,478) |
| Excess (Deficiency) of revenue over expenditures and other uses | 476 | (3,478) |
| Fund equity, beginning of year | 2,719 | 6,197 |
| Fund equity, end of year | \$ 3,195 | \$ 2,719 |

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
FIRST TIME HOMEBUYERS PROGRAM
AS OF MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Assets | | |
| Cash on deposit - regular accounts | \$ 47,942 | \$ 23,185 |
| First time homebuyers loans receivable | 95,963 | 117,695 |
| Total assets | \$ 143,905 | \$ 140,880 |
| Liabilities | | |
| Deferred revenue | \$ 95,961 | \$ 117,692 |
| Other liabilities | 25 | 25 |
| Total liabilities | 95,986 | 117,717 |
| Fund Equity | | |
| Assigned | 47,919 | 23,163 |
| Total fund equity | 47,919 | 23,163 |
| Total liabilities and fund equity | \$ 143,905 | \$ 140,880 |

CITY OF OLEAN, NEW YORK

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - FIRST TIME HOMEBUYERS PROGRAM
FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012**

Page 56

| | <u>May 31</u> <u>2013</u> | <u>May 31</u> <u>2012</u> |
|--|------------------------------|------------------------------|
| Revenue | | |
| Departmental income | \$ 24,950 | \$ 27,071 |
| Use of money and property | 9 | 3 |
| Total revenue | <u>24,959</u> | <u>27,074</u> |
| Expenditures | | |
| Home and community services | 203 | 29,878 |
| Total expenditures | <u>203</u> | <u>29,878</u> |
| Excess (Deficiency) of revenue over expenditures | <u>24,756</u> | <u>(2,804)</u> |
| Excess (Deficiency) of revenue over expenditures and other uses | 24,756 | (2,804) |
| Fund equity, beginning of year | 23,163 | 25,967 |
| Fund equity, end of year | <u>\$ 47,919</u> | <u>\$ 23,163</u> |

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND
AS OF MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Assets | | |
| Cash on deposit - regular accounts | \$ 3,733,181 | \$ 4,251,813 |
| Accounts receivable | 1,786 | 1,786 |
| Due from Federal and State | 1,004,814 | 422,841 |
| Due from other funds | 9,749 | 975,244 |
| Total assets | \$ 4,749,530 | \$ 5,651,684 |
| Liabilities | | |
| Accounts payable | \$ 447,934 | \$ 414,000 |
| Accrued liabilities/due to other governments | 100,000 | 100,000 |
| Due to other funds | 357,842 | - |
| Bond anticipation notes payable | - | 11,182,895 |
| Total liabilities | 905,776 | 11,696,895 |
| Fund Equity | | |
| Restricted | 4,165,272 | 4,015,389 |
| Unassigned (deficit) | (321,518) | (10,060,600) |
| Total fund equity (deficit) | 3,843,754 | (6,045,211) |
| Total liabilities and fund equity | \$ 4,749,530 | \$ 5,651,684 |

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - CAPITAL PROJECTS FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012

Page 58

| | May 31 | May 31 |
|---|---------------------|-----------------------|
| | 2013 | 2012 |
| Revenue | | |
| Use of money and property | \$ 4,327 | \$ 5,145 |
| Miscellaneous local sources | 182,161 | 146,966 |
| Federal aid | 199,040 | 648,726 |
| State aid | 1,461,951 | 798,702 |
| Total revenue | 1,847,479 | 1,599,539 |
| Expenditures | | |
| General government support | 649,968 | 343,597 |
| Public safety | 103,535 | 185,355 |
| Transportation | 4,326,810 | 1,354,016 |
| Culture and recreation | 6,647 | - |
| Home and community services | 788,049 | 101,909 |
| Total expenditures | 5,875,009 | 1,984,877 |
| Deficiency of revenue over expenditures | (4,027,530) | (385,338) |
| Other financing sources (uses) | | |
| Bond anticipation notes redeemed from appropriations | 237,895 | 317,105 |
| Proceeds from issuance of serial bonds - construction | 10,981,059 | - |
| Operating transfers in | 2,716,541 | 3,126,576 |
| Operating transfers out | (19,000) | (80,001) |
| Total other financing sources | 13,916,495 | 3,363,680 |
| Excess of revenue and other financing sources over expenditures and other financing uses | 9,888,965 | 2,978,342 |
| Fund deficit, beginning of year | (6,045,211) | (8,915,996) |
| Residual equity transfer | - | (107,557) |
| Fund equity (deficit), end of year | \$ 3,843,754 | \$ (6,045,211) |

CITY OF OLEAN, NEW YORK

BALANCE SHEET - CAPITAL PROJECTS FUND - BY PROJECT

AS OF MAY 31, 2013

| Project Number | Description | Cash | Other accounts receivable | 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 | \$ 551,200 | \$ - | \$ - | \$ (357,842) | \$ 193,358 | \$ - | \$ - | \$ 193,358 | \$ 193,358 |
| 87 | Landfill - Olean Airport | 57,292 | - | - | - | 57,292 | - | - | 57,292 | 57,292 |
| 101 | ALARM | 18,602 | 1,786 | - | - | 20,388 | - | - | 20,388 | 20,388 |
| 102 | Vehicle replacement | 303,660 | - | - | - | 303,660 | - | - | 303,660 | 303,660 |
| 103 | Police Equipment Replacement | 46,942 | - | - | - | 46,942 | - | - | 46,942 | 46,942 |
| 116 | Fire arson equipment | 11,471 | - | - | - | 11,471 | - | - | 11,471 | 11,471 |
| 117 | Dispatch project | 4,564 | - | - | - | 4,564 | - | - | 4,564 | 4,564 |
| 118 | Ambulance reserve | 155,320 | - | - | - | 155,320 | - | - | 155,320 | 155,320 |
| 119 | OATS Bus Reserve | 23,223 | - | - | - | 23,223 | - | - | 23,223 | 23,223 |
| 120 | Water filtration plant | 16,885 | - | - | - | 16,885 | - | - | 16,885 | 16,885 |
| 123 | Catch basin disconnect project | 311,769 | - | - | 34,749 | 346,518 | 100,000 | - | 246,518 | 346,518 |
| 125 | Main Street Bridge | 11,467 | - | - | - | 11,467 | - | - | 11,467 | 11,467 |
| 132 | Parking lot maintenance program | 19,003 | - | - | - | 19,003 | - | - | 19,003 | 19,003 |
| 133 | Parking lots repaving & rehab | 51,629 | - | - | - | 51,629 | - | - | 51,629 | 51,629 |
| 137 | Telephone System | 4,000 | - | - | - | 4,000 | - | - | 4,000 | 4,000 |
| 144 | East Olean Sewer | 256,911 | - | - | - | 256,911 | - | - | 256,911 | 256,911 |
| 145 | Two Mile Sewer | 479,880 | - | - | - | 479,880 | - | - | 479,880 | 479,880 |
| 146 | Airport Master Plan | 84,434 | - | 1,594 | - | 86,028 | 14,056 | - | 71,972 | 86,028 |
| 147 | Safe Schools Route | 106,480 | - | - | - | 106,480 | - | - | 106,480 | 106,480 |
| 148 | Woodview Avenue Paving Project | 1,533 | - | - | - | 1,533 | - | - | 1,533 | 1,533 |
| 149 | Bartlett House Renovations | 70,125 | - | - | - | 70,125 | 56,678 | - | 13,447 | 70,125 |
| 150 | Sidewalk Improvement Reserve | 54,195 | - | - | - | 54,195 | - | - | 54,195 | 54,195 |
| 151 | Fire Hall Relocation | - | - | - | - | - | 3,478 | - | (3,478) | - |
| 153 | East State Street and East End Sewer | (632,235) | - | 1,000,000 | - | 367,765 | 314,900 | - | 52,865 | 367,765 |
| 154 | HVAC Reserve | 11,801 | - | - | - | 11,801 | - | - | 11,801 | 11,801 |
| 155 | Courtroom Repairs | 50,000 | - | - | - | 50,000 | 375 | - | 49,625 | 50,000 |
| 156 | Wastewater Plant Belt Press Reserve | 5,000 | - | - | - | 5,000 | - | - | 5,000 | 5,000 |
| 157 | Narrow Band Radio Upgrade | 18,725 | - | - | - | 18,725 | 2,663 | - | 16,062 | 18,725 |
| 158 | Traffic Signal Upgrade Project | 17,000 | - | - | - | 17,000 | - | - | 17,000 | 17,000 |
| 159 | Rec Center Compressor Reserve | 58,353 | - | - | - | 58,353 | - | - | 58,353 | 58,353 |
| 160 | Downtown Facilities Upgrades | (161,456) | - | - | (25,000) | (186,456) | 7,450 | - | (193,906) | (186,456) |
| 161 | Other Miscellenous Reserves | 575 | - | - | - | 575 | - | - | 575 | 575 |
| 162 | Brownfield Opportunity Areas Program | (3,220) | - | 3,220 | - | - | 20,246 | - | (20,246) | - |
| 163 | Waste Water Treatment Plant Master Plan | (96,932) | - | - | - | (96,932) | 6,956 | - | (103,888) | (96,932) |
| 164 | Chestnut Street Development | 150,000 | - | - | - | 150,000 | - | - | 150,000 | 150,000 |
| 165 | Bradner Stadium Project | 1,594,985 | - | - | - | 1,594,985 | 21,132 | - | 1,573,853 | 1,594,985 |
| 166 | Franchot Playground | 80,000 | - | - | - | 80,000 | - | - | 80,000 | 80,000 |
| Totals | | \$ 3,733,181 | \$ 1,786 | \$ 1,004,814 | \$ (348,093) | \$ 4,391,688 | \$ 547,934 | \$ - | \$ 3,843,754 | \$ 4,391,688 |

CITY OF OLEAN, NEW YORK
SCHEDULE OF EXPENDITURES-
CAPITAL PROJECTS FUND - BY PROJECT
FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012

Page 60

| Project | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| CHIPS | \$ 584,597 | \$ 393,286 |
| City Alarms | - | 10,849 |
| Vehicle Replacement | 417,656 | 267,180 |
| Dispatch Project | 6,507 | - |
| Police Equipment Replacement Reserve | - | 23,890 |
| Water Filtration Plant | - | 3,115 |
| Catch Basin Disconnect Project | 6,972 | - |
| Odor Control/Air Make-up Units | 36,059 | - |
| Parking Lot Maintenance | 1,090 | 560 |
| Parking Lot Repaving and Rehabilitation | 968 | 7,731 |
| Energy Audit | 138,592 | 49,112 |
| East Olean Sewer | 200,961 | 64,186 |
| Two Mile Sewer | 68,937 | 54,096 |
| Airport Master Plan | 198,557 | 884,614 |
| Safe Routes to Schools | 2,744 | 174,506 |
| Sidewalk Improvement Reserve | 20,720 | 100 |
| East State Street and East End Sewer | 3,465,054 | 32,082 |
| Woodview Avenue Paving Project | 398 | 17,120 |
| HVAC Reserve | 38,000 | 200 |
| Bartlett House Renoavtions | 57,303 | 2,250 |
| Rec Center Compressor Reserve | 6,647 | - |
| Fire Hall Relocation | 3,478 | - |
| Courtroom Repairs | 375 | - |
| Waste Water Plant Belt Press | 35,000 | - |
| Narrow Band Radio Upgrade | 96,938 | - |
| Downtown Facilities Upgrade | 193,956 | - |
| Brownfield Opportunity Areas Program | 113,466 | - |
| Waste Water Treatement Plant Master Plan | 103,888 | - |
| Bradner Stadium Project | 76,146 | - |
| | \$ 5,875,009 | \$ 1,984,877 |

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
AS OF MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|--|------------------------|------------------------|
| Assets | | |
| Cash on deposit | | |
| Restricted regular accounts | \$ 106,035 | \$ 463,437 |
| Total assets | \$ 106,035 | \$ 463,437 |
| Liabilities | | |
| Due to other funds | \$ 63,368 | \$ 81,787 |
| Total liabilities | 63,368 | 81,787 |
| Fund Equity | | |
| Restricted | 42,667 | 381,650 |
| Total fund equity | 42,667 | 381,650 |
| Total liabilities and fund equity | \$ 106,035 | \$ 463,437 |

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - DEBT SERVICE FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2013 AND 2012

| | May 31 2013 | May 31 2012 |
|---|--------------------|--------------------|
| Revenue | | |
| Use of money and property | \$ 123 | \$ 674 |
| Sale of property & compensation for loss | 30 | - |
| Total revenue | 153 | 674 |
| Expenditures | | |
| Debt service: | | |
| Principal | 1,368,493 | 1,427,512 |
| Interest | 672,788 | 675,813 |
| Total expenditures | 2,041,281 | 2,103,325 |
| Deficiency of revenue over expenditures | (2,041,128) | (2,102,651) |
| Other financing sources | | |
| Proceeds from serial bonds - refunding | 5,265,339 | - |
| Payment for refunding of bonds | (5,265,339) | - |
| Operating transfers out | - | - |
| Operating transfers in | 1,702,145 | 1,846,991 |
| Total other financing sources | 1,702,145 | 1,846,991 |
| Deficiency of revenue and other financing sources over expenditures and other financing uses | (338,983) | (255,660) |
| Fund equity, beginning of year | 381,650 | 529,753 |
| Residual equity transfer | - | 107,557 |
| Fund equity, end of year | \$ 42,667 | \$ 381,650 |

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
AGENCY FUND
AS OF MAY 31, 2013 AND 2012

| | May 31 | | May 31 |
|--------------------------|-------------------|-----------|----------------|
| | 2013 | | 2012 |
| Assets | | | |
| Cash on deposit | | | |
| Regular accounts | \$ 109,360 | \$ | 111,495 |
| Restricted accounts | 143,804 | | 128,976 |
| Due from other funds | 2,716 | | 2,716 |
| Total assets | \$ 255,880 | \$ | 243,187 |
| Liabilities | | | |
| Due to other funds | \$ 9,513 | \$ | 9,513 |
| Other liabilities | 246,367 | | 233,674 |
| Total liabilities | \$ 255,880 | \$ | 243,187 |

CITY OF OLEAN, NEW YORK
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND BALANCES - AGENCY FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2013

| | Balance June 1, 2012 | Receipts | Disbursements | Balance May 31, 2013 |
|------------------------------------|-------------------------|----------------------|----------------------|-------------------------|
| Hospitalization | \$ 2,308 | \$ 562,683 | \$ 563,016 | \$ 1,975 |
| Charity - United Way | 173 | 390 | 398 | 165 |
| Guarantee & Bid Bonds | 500 | - | - | 500 |
| Seans Tree Service | - | 1,365 | 1,365 | - |
| Tree Cut Tree Service Inc. | 1,483 | 2 | 1,133 | 352 |
| Tree Cut Tree Service Inc. | 1,278 | 2 | 1,029 | 251 |
| Building Improvement Fund-HDCP | 459 | - | - | 459 |
| Children's Memorial Flower Grdn | 473 | - | 458 | 15 |
| Stadium Renovations / Donations | 4,062 | - | 1,776 | 2,286 |
| Y&R St. John's | 7,274 | - | - | 7,274 |
| Mayor's Cup Golf Tournament | 1,954 | 500 | 1,910 | 544 |
| Bike Auction | 7,691 | 1,428 | - | 9,119 |
| Miscellaneous Recreation | 11,903 | 16,778 | 14,151 | 14,530 |
| William O. Smith Recreation Center | 1,827 | - | 1,827 | - |
| Ray Wangelin Memorial | 725 | 775 | 1,500 | - |
| Clerk Sales | 1,318 | 265 | - | 1,583 |
| Bartlett House Donations | 17,783 | 250 | 3,906 | 14,127 |
| Bartlett House Donations | 5,000 | - | - | 5,000 |
| Bartlett House Donations | - | 16,966 | 200 | 16,766 |
| Police Drugs Donations | 10,198 | 1,963 | 11,586 | 575 |
| Police Federal Drug Proceeds | 4,419 | 4 | - | 4,423 |
| Youth Programs Donations | 57 | - | - | 57 |
| DARE | 510 | - | - | 510 |
| Youth Court Donations | 7,505 | - | 202 | 7,303 |
| Tree Program | 10,787 | 1,451 | 1,944 | 10,294 |
| Interest & Service Charges | 559 | 81 | 1 | 639 |
| Personnel | 2,085 | - | 635 | 1,450 |
| Fire Equipment Donations | 9,164 | - | - | 9,164 |
| Flexible Spending Account | (8,274) | - | - | (8,274) |
| Medical Savings Account | 126,451 | 123,746 | 114,838 | 135,359 |
| Payroll Account | 3,052 | 9,973,605 | 9,967,774 | 8,883 |
| Special Account | 950 | 17,792 | 17,704 | 1,038 |
| Totals | \$ 233,674 | \$ 10,720,046 | \$ 10,707,353 | \$ 246,367 |

CITY OF OLEAN, NEW YORK
SCHEDULE OF FUNDING PROGRESS
AS OF MAY 31, 2013

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability ("AAL) | Unfunded Actuarial Accrued Liability ("UAAL) | Funded Ratio | Budgeted Covered Payroll | Ratio of UAAL to Budgeted Covered Payroll |
|--------------------------------|---------------------------------|---|--|-----------------|--------------------------------|---|
| January 1, 2008 | \$ - | \$ 1,336,369 | \$ 1,336,369 | \$ - | \$ - | N/A |



**INDEPENDENT AUDITORS' 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
*City of Olean, New York***

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *City of Olean, New York* as of and for the year ended c, and the related notes to the financial statements, which collectively comprise *City of Olean, New York's* basic financial statements and have issued our report thereon dated January 8, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.2013-1, II.A.2013-2, II.A.2013-3 and II.A.2013-4 to be material weaknesses.

Compliance and Other Matters

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

City of Olean's Response to Findings

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

Other Matters

We noted other matters involving internal control over financial reporting that we have reported to management of *City of Olean, New York* in a separate letter dated January 8, 2014.

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
January 8, 2014**

I. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the financial statements of *City of Olean, New York*.
2. Four material weaknesses relating to the audit of the financial statements were 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*. These material weaknesses are reported in the accompanying schedule of findings and questioned costs as items II.A.2013-1, II.A.2013-2, II.A.2013-3 and II.A.2013-4.
3. No instances of noncompliance material to the financial statements of *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 OMB Circular A-133 was not required during the fiscal year ended May 31, 2013, as the City's expenditures of Federal Awards were below \$500,000.

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. Internal Control over Financial Reporting

2013-1 Federal and State Grants

Year ended May 31, 2013

Condition and criteria: The City has a process whereby the Departments that receive Federal and State grants are responsible for carrying out the conditions of the grant, including the completion and filing of claims for reimbursement. We noticed that when claims for reimbursement are filed with the Federal and State governments, there is a lack of communication with the City Auditor's Office, who is ultimately the Department that receives the reimbursements. This circumstance could lead to a situation whereby the funding requested is not received and requires additional follow-up similar to instances that occurred during the 2009 and 2010 years.

Effect: By not instituting a strong internal control system over the monitoring of grant receipts, the City could jeopardize certain grant funding and therefore absorb such costs locally.

Auditors' Recommendations: The City should develop an internal system with regard to its public works and community development projects that are funded through Federal and State grants, whereby, schedules that outline expenditures incurred to-date and submissions of reports for reimbursement are routinely provided to the City Auditor's office for review. Cash received from the Federal and State government should then be closely monitored and compared with these schedules, with follow-ups performed on any discrepancies.

City's Response: The City understands the importance of tracking the submission of reimbursement reports for Federal and State grants with the amounts received and will develop a formalized system so that such information is provided to the City Auditor for monitoring. It is customary for city employees who are responsible for submitting for reimbursement of grants to communicate via email or orally with the auditor's office when a claim for reimbursement is made.

Year ended May 31, 2012

Similar finding was reported upon during the year ended May 31, 2012.

2013-2 Segregation of Duties – Bank Reconciliations

Year Ended May 31, 2013

Condition and Criteria: During the audit, we noted that presently there is no formal review of bank reconciliations performed by someone independent of the preparer. During the current year, the City contracted with an individual to perform reviews of certain cash functions in an effort to enhance segregation of duties over cash, however, there was no documentation present to verify that a review of the bank reconciliations were being performed in an effective manner. Furthermore, the balance per the bank reconciliation did not agree with the City's general ledger cash accounts. In addition, during the current year, many adjusting journal entries were posted to the City's cash balances during the course of the annual audit.

Effect: Segregation of duties is a key element to an effective internal control environment. Because the reconciliation of cash is vital to its operations, the lack of proper segregation of duties in this area heightens the City's risk of potential errors and/or fraud.

Auditors' Recommendations: Accurate and timely bank reconciliations are a significant control function over the City's funds. The review of such reconciliations ensures that they are prepared accurately and timely. We recommend that a review of bank reconciliations be performed monthly by someone independent of the preparer and that this review be clearly documented. The review should consist of comparing the reconciliation with bank statements and general ledger account balances, along with following-up on unusual reconciling items.

City's Response: Due to the nature, complexity, and manual nature of the City's finance structure, the City Auditor is responsible for preparing the bank reconciliations for the majority of the accounts. Subsequent to the fiscal year, an independent contractor began performing reconciliations of bank accounts. Due to personal circumstances the contractor had to discontinue providing services. The City will begin a search for a replacement.

Year ended May 31, 2012

Similar finding was reported upon during the year ended May 31, 2012.

II. FINANCIAL STATEMENTS AUDIT – FINDINGS (continued)

A. Internal Control over Financial Reporting (continued)

2013-3 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year Ended May 31, 2013

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the City properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording receivables, payables, deferred liabilities, and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors and accepted by the City.

Effect: 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. Without this assistance, the potential risk exists of the District's financial statements not conforming to 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.

Year ended May 31, 2012

Similar finding was reported upon during the year ended May 31, 2012.

2013-4 Reconciliation of General Ledger

Year Ended May 31, 2013

Condition and Criteria: During the current and prior fiscal years, we noted the City experienced difficulties in reconciling manual records with the City's pre-packaged accounting general ledger system. Although dual systems were maintained throughout the year, differences that arose in certain balance sheet accounts and revenue and expense accounts were not investigated and corrected until the audit. During our audit, we also noted that the City does not perform reconciliations of asset and liability accounts during the year on a regular or routine basis.

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 another on a regular basis.

Year ended May 31, 2012

Similar finding was reported upon during the year ended May 31, 2012.

II. FINANCIAL STATEMENTS AUDIT – FINDINGS (continued)

B. Compliance

Year ended May 31, 2013

There are no compliance findings being reported upon for the fiscal year ended May 31, 2013.

Year ended May 31, 2012

There were no compliance findings reported upon for the fiscal year ended May 31, 2012.

CITY OF OLEAN, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2013

| <u>PROGRAM TITLE</u> | <u>NYSDOT CONTRACT NUMBER</u> | <u>EXPENDITURES</u> |
|---|---------------------------------------|----------------------------|
| Airport Improvement Program | PIN 5904.44 | \$ 24,336 |
| Consolidated Highway Improvement Program (CHIPS) | N/A | 344,395 |
| Multi-Modal Program | D027554 | 500,000 |
| Highway Planning and Construction | D032498 | 2,744 |
| ARRA Section 5311 Transportation Grant | 74002114 | <u>139,900</u> |
| TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDED | | <u>\$ 1,011,375</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, 2013.



**INDEPENDENT AUDITORS' 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, 2013. 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, 2013.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified four deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state transportation program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items I.2013-1, I.2013-2, I.2013-3 and I.2013-4 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, 2013, and have issued our report thereon dated January 8, 2014. Our audit was performed for the purpose of forming an opinion on the *City of Olean, New York's* financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

City of Olean's Responses to Findings

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

Other Matters

We noted other matters that we have reported to management of *City of Olean, New York* in a separate letter dated January 8, 2014.

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
January 8, 2014**

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2013

Summary of Audit Results:

Internal control over state transportation assistance expended:

- Material weaknesses identified Findings I.2013-1, I.2013-2, I.2013-3 and I.2013-4
- Deficiencies identified that are not considered to be material weakness None reported

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

Identification of State Transportation Assistance Programs Tested:

Name

Consolidated Highway Improvement Program (CHIPS)
Multi Modal Program

Compliance Findings and Questioned Costs:

No matters were reported.

CITY OF OLEAN, NEW YORK
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
FOR STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2013

Page 77

I. Internal Control Over State Transportation Assistance Expended

2013-1 Federal and State Grants

Year ended May 31, 2013

Condition and criteria: The City has a process whereby the Departments that receive Federal and State grants are responsible for carrying out the conditions of the grant, including the completion and filing of claims for reimbursement. We noticed that when claims for reimbursement are filed with the Federal and State governments, there is a lack of communication with the City Auditor's Office, who is ultimately the Department that receives the reimbursements. This circumstance could lead to a situation whereby the funding requested is not received and requires additional follow-up similar to instances that occurred during the 2009 and 2010 years.

Effect: By not instituting a strong internal control system over the monitoring of grant receipts, the City could jeopardize certain grant funding and therefore absorb such costs locally.

Auditors' Recommendations: The City should develop an internal system with regard to its public works and community development projects that are funded through Federal and State grants, whereby, schedules that outline expenditures incurred to-date and submissions of reports for reimbursement are routinely provided to the City Auditor's office for review. Cash received from the Federal and State government should then be closely monitored and compared with these schedules, with follow-ups performed on any discrepancies.

City's Response: The City understands the importance of tracking the submission of reimbursement reports for Federal and State grants with the amounts received and will develop a formalized system so that such information is provided to the City Auditor for monitoring. It is customary for city employees who are responsible for submitting for reimbursement of grants to communicate via email or orally with the auditor's office when a claim for reimbursement is made.

Year ended May 31, 2012

Similar finding was reported upon during the year ended May 31, 2012.

2013-2 Segregation of Duties – Bank Reconciliations

Year Ended May 31, 2013

Condition and Criteria: During the audit, we noted that presently there is no formal review of bank reconciliations performed by someone independent of the preparer. During the current year, the City contracted with an individual to perform reviews of certain cash functions in an effort to enhance segregation of duties over cash, however, there was no documentation present to verify that a review of the bank reconciliations were being performed in an effective manner. Furthermore, the balance per the bank reconciliation did not agree with the City's general ledger cash accounts. In addition, during the current year, many adjusting journal entries were posted to the City's cash balances during the course of the annual audit.

Effect: Segregation of duties is a key element to an effective internal control environment. Because the reconciliation of cash is vital to its operations, the lack of proper segregation of duties in this area heightens the City's risk of potential errors and/or fraud.

Auditors' Recommendations: Accurate and timely bank reconciliations are a significant control function over the City's funds. The review of such reconciliations ensures that they are prepared accurately and timely. We recommend that a review of bank reconciliations be performed monthly by someone independent of the preparer and that this review be clearly documented. The review should consist of comparing the reconciliation with bank statements and general ledger account balances, along with following-up on unusual reconciling items.

City's Response: Due to the nature, complexity, and manual nature of the City's finance structure, the City Auditor is responsible for preparing the bank reconciliations for the majority of the accounts. Subsequent to the fiscal year, an independent contractor began performing reconciliations of bank accounts. Due to personal circumstances the contractor had to discontinue providing services. The City will begin a search for a replacement.

Year ended May 31, 2012

Similar finding was reported upon during the year ended May 31, 2012.

CITY OF OLEAN, NEW YORK
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
FOR STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED MAY 31, 2013

Page 78

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

2013-3 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year Ended May 31, 2013

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the City properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording receivables, payables, deferred liabilities, and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors and accepted by the City.

Effect: 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. Without this assistance, the potential risk exists of the District's financial statements not conforming to 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.

Year ended May 31, 2012

Similar finding was reported upon during the year ended May 31, 2012.

2013-4 Reconciliation of General Ledger

Year Ended May 31, 2013

Condition and Criteria: During the current and prior fiscal years, we noted the City experienced difficulties in reconciling manual records with the City's pre-packaged accounting general ledger system. Although dual systems were maintained throughout the year, differences that arose in certain balance sheet accounts and revenue and expense accounts were not investigated and corrected until the audit. During our audit, we also noted that the City does not perform reconciliations of asset and liability accounts during the year on a regular or routine basis.

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 another on a regular basis.

Year ended May 31, 2012

Similar finding was reported upon during the year ended May 31, 2012.



January 8, 2014

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

Ladies and Gentlemen:

We have completed our 2012-13 audit of the City's financial statements and have issued our reports thereon dated January 8, 2014. Our audit report expressed opinion which states that the City's financial statements are in accordance with generally accepted accounting principles (except for not having a current appraisal to substantiate fixed assets) for governments.

In planning and performing our audit of the financial statements of the *City of Olean, New York* for the fiscal year ended May 31, 2013, 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.

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.

Budget Transfers

The City prepares budget transfers where accounts with leftover appropriations are transferred to accounts which experienced budget shortfalls. Any transfers made between fund types or transfers that are made from one expense category to another are first authorized by the Common Council. Budget transfers are ultimately entered within the City's accounting software which gives management the ability to monitor budget versus actual results. We noticed during our audit, however, that the City's current year encumbrances/commitments are currently being reduced from the budget within the City's accounting software. We recommend that the City contact its software provider and determine whether encumbrance/commitments can be presented in a separate column rather than being deducted from the budget as the total budgeted expenditures should agree to that approved by the Common Council.

Allocation of Salaries

During the fiscal year the City allocates a portion of salaries of certain positions (public works director, engineers, etc.) from the general fund to the sewer and water funds. The amounts allocated were based on estimates of time incurred in the various departments. We recommend that the City conduct time studies for these individuals which would document actual time spent in the various categories. This is particularly important because the sewer and water funds are supported by users, whereas the general fund's revenue is derived from real property tax assessments, sales tax and other sources of revenue.

Journal entries and wire transfers

The City should develop a standardize form which documents the date, amount and purpose of journal entries and wire transfers, which would be completed and signed by the individual initiating the transaction. The City should then designate one individual who would be responsible for reviewing the appropriateness of each journal entry and wire transfer.

Debt Service Reserve

Over the years, the City has earned interest and premiums related to bond proceeds issued to fund capital projects. During the close out of capital projects these funds have been transferred to the City's debt service fund and are required to be utilized in the future towards debt service principal and interest payments. During the current fiscal year, the City made a debt service payment from reserve funds. 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.

Accumulated Deficit –Capital Project Fund

The *City of Olean, New York's* capital project fund had multiple projects with accumulated deficits of as of May 31, 2013. The projects with accumulated deficits were Fire Hall Relocation, Downtown Facilities Upgrade, BOA Program and Waste Water Treatment Master Plan. As a result, the City will be required to transfer funds from its general fund to cover its local share and to eliminate this capital project deficit.

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 Programs Deposits/ Trust and Agency Receipts

During our review of First Time Homebuyer's, Revolving Loan, 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.

Disbursements

We noted in our disbursement testing that invoices received by the Trust and Agency fund were not present in all instances. Further, in many cases we noted no indication that the invoice received was reviewed for clerical accuracy. We recommend the City obtain invoices and attach all invoices to their respective voucher packet. Additionally, we recommend that all vouchers be signed and reviewed by the City Auditor.

Equipment and Inventory

It is extremely important for all entities to have processes in place so that assets are properly safeguarded against loss or misuse. The following are internal controls that the City should consider implementing.

Equipment

An annual inventory of City property and equipment should be performed, with any discrepancies between the physical count and the City's appraisal being investigated and explained. Adherence to this policy is a sound accounting practice that helps to safeguard the City's assets, and limits the possibility of their loss or misappropriation.

Maintenance and Transportation Supplies

Additionally, the City should consider maintaining a perpetual inventory system for its maintenance and transportation supplies. A physical inventory should be performed on an annual basis and compared with the perpetual inventory with any differences investigated. The physical and perpetual inventory reports should be provided to the auditor's office for review.

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 now 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.

Technology

Disaster recovery plan

Ensuring that all IT systems are properly backed up is essential for governmental entities. Although, the City typically performs restore tests throughout the year, there is no formal schedule as to when these backups are performed. We recommend that the City perform backup restore tests on a regular basis, which should be adequately documented. In addition, the City should develop a comprehensive disaster recovery plan which outlines the procedures it would take in the event that all stored data files were lost unexpectedly in its technology plan.

Informal policies

During inquiries, we understand that the City has informal policies which guide personnel in creating and changing employee passwords, suspending terminated employees account access, routine workstation and server audit policy and workstation and workstation data security. The City should attempt to formalize these internal policies.

In addition, the City should identify those individuals that currently have access to various modules within its accounting software. A listing of individuals with rights to perform various accounting transactions should be maintained, reviewed and verified by someone independent of the auditor's office on a regular basis. As part of this process, restrictions should be placed on certain functions such as the individual processing payroll should not have access to the payroll module where changes to pay rates are made.

GASB 45 Update

In June 2004, the Governmental Accounting Standards Board issued Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement requires that a full actuarial study of the City's other postemployment benefits accumulated liability be performed for financial statement purposes every three years for government entities with less than 100 employees. In years that a full study is not performed, an update of the prior year's report may be utilized to project the liability until another full study is performed, assuming that no significant changes occurred that would materially affect the projected liability. We recommend that the District have a full actuarial study of it postemployment benefits performed.

STATISTICAL SECTION

City of Olean

General Governmental Expenditures by Function

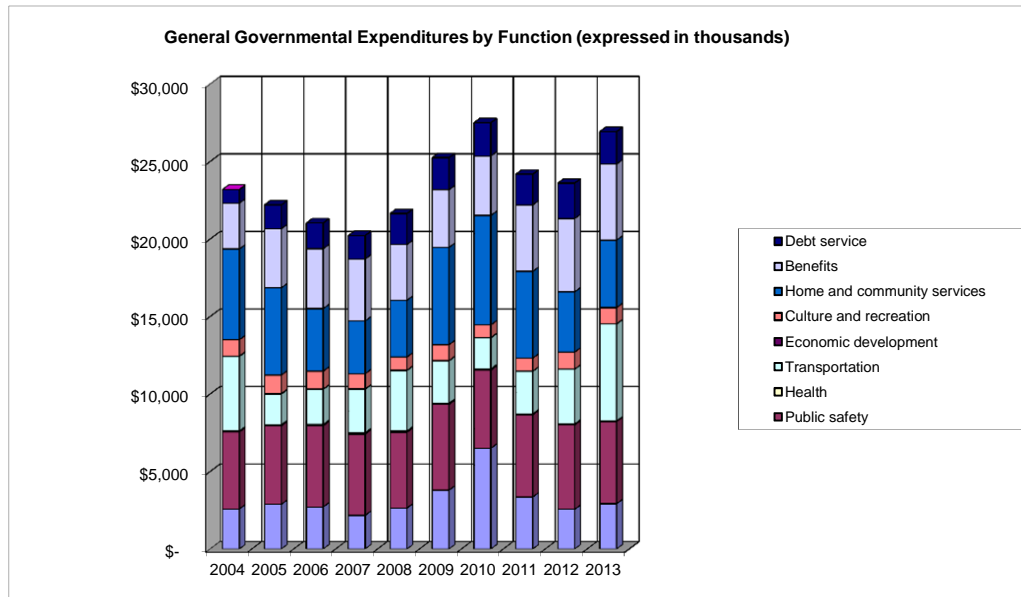
Governmental Funds(excludes bond refunding and interfund transfers)

Last Ten Fiscal Years

(amounts expressed in thousands)

| Function | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General government support | \$ 2,588 | \$ 2,885 | \$ 2,716 | \$ 2,173 | \$ 2,648 | \$ 3,799 | \$ 6,504 | \$ 3,359 | \$ 2,564 | \$ 2,923 |
| Public safety | 4,968 | 5,063 | 5,239 | 5,244 | 4,890 | 5,534 | 5,036 | 5,303 | 5,447 | 5,310 |
| Health | 61 | 72 | 82 | 84 | 85 | 74 | 86 | 59 | 55 | 33 |
| Transportation | 4,809 | 1,981 | 2,267 | 2,810 | 3,902 | 2,731 | 2,002 | 2,752 | 3,540 | 6,252 |
| Economic development | 26 | 26 | 15 | 15 | 15 | 15 | 15 | - | - | 15 |
| Culture and recreation | 1,050 | 1,193 | 1,157 | 981 | 857 | 1,027 | 817 | 845 | 1,106 | 1,043 |
| Home and community services | 5,860 | 5,637 | 4,037 | 3,411 | 3,661 | 6,285 | 7,065 | 5,601 | 3,884 | 4,354 |
| Benefits | 2,956 | 3,808 | 3,860 | 3,991 | 3,592 | 3,715 | 3,828 | 4,282 | 4,724 | 4,906 |
| Debt service | 874 | 1,530 | 1,660 | 1,512 | 1,997 | 2,065 | 2,151 | 1,984 | 2,289 | 2,093 |
| Total | \$ 23,192 | \$ 22,195 | \$ 21,033 | \$ 20,221 | \$ 21,647 | \$ 25,245 | \$ 27,504 | \$ 24,185 | \$ 23,609 | \$ 26,929 |

Source: City of Olean Annual Report (2004-2013)



City of Olean

General Governmental Revenues by Source

Governmental Funds(excludes bond refunding and interfund transfers)

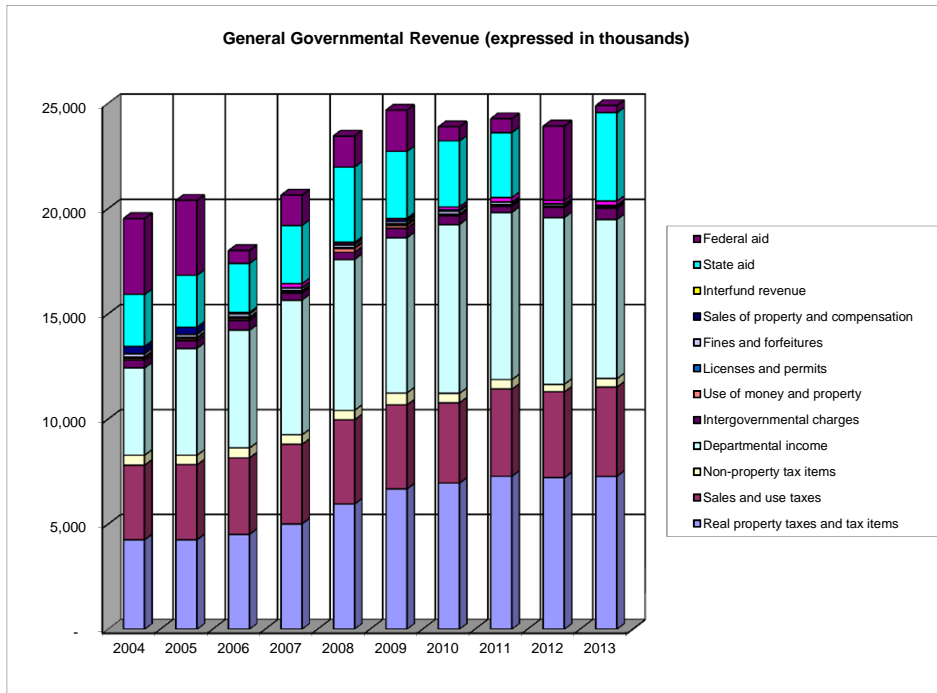
Last Ten Fiscal Years

(amounts expressed in thousands)

Source

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Real property taxes and tax items | \$ 4,262 | \$ 4,262 | \$ 4,518 | \$ 5,013 | \$ 5,954 | \$ 6,679 | \$ 6,953 | \$ 7,284 | \$ 7,211 | \$ 7,278 |
| Sales and use taxes | 3,550 | 3,569 | 3,642 | 3,784 | 4,009 | 3,995 | 3,822 | 4,142 | 4,087 | 4,249 |
| Non-property tax items | 474 | 455 | 468 | 454 | 452 | 572 | 450 | 455 | 364 | 401 |
| Departmental income | 4,152 | 5,082 | 5,599 | 6,409 | 7,169 | 7,374 | 8,023 | 7,946 | 7,919 | 7,558 |
| Intergovernmental charges | 366 | 359 | 464 | 327 | 339 | 457 | 416 | 286 | 481 | 523 |
| Use of money and property | 103 | 104 | 95 | 70 | 189 | 127 | 44 | 36 | 29 | 19 |
| Licenses and permits | 59 | 59 | 64 | 54 | 52 | 78 | 38 | 62 | 47 | 47 |
| Fines and forfeitures | 142 | 142 | 150 | 110 | 108 | 96 | 131 | 90 | 94 | 82 |
| Sales of property and compensation | 355 | 347 | 21 | 37 | 33 | 92 | 83 | 13 | 5 | 14 |
| Miscellaneous local sources | - | - | 55 | 175 | 89 | 77 | 126 | 221 | 155 | 182 |
| Interfund revenue | - | - | - | - | - | - | - | - | - | - |
| Bad debt expense | - | - | 59 | - | - | - | - | - | - | - |
| State aid | 2,463 | 2,460 | 2,324 | 2,774 | 3,575 | 3,170 | 3,130 | 3,082 | 3,528 | 4,204 |
| Federal aid | 3,611 | 3,551 | 606 | 1,426 | 1,481 | 1,955 | 667 | 658 | 856 | 339 |
| | <u>\$ 19,537</u> | <u>\$ 20,390</u> | <u>\$ 18,065</u> | <u>\$ 20,633</u> | <u>\$ 23,450</u> | <u>\$ 24,672</u> | <u>\$ 23,883</u> | <u>\$ 24,275</u> | <u>\$ 24,776</u> | <u>\$ 24,896</u> |

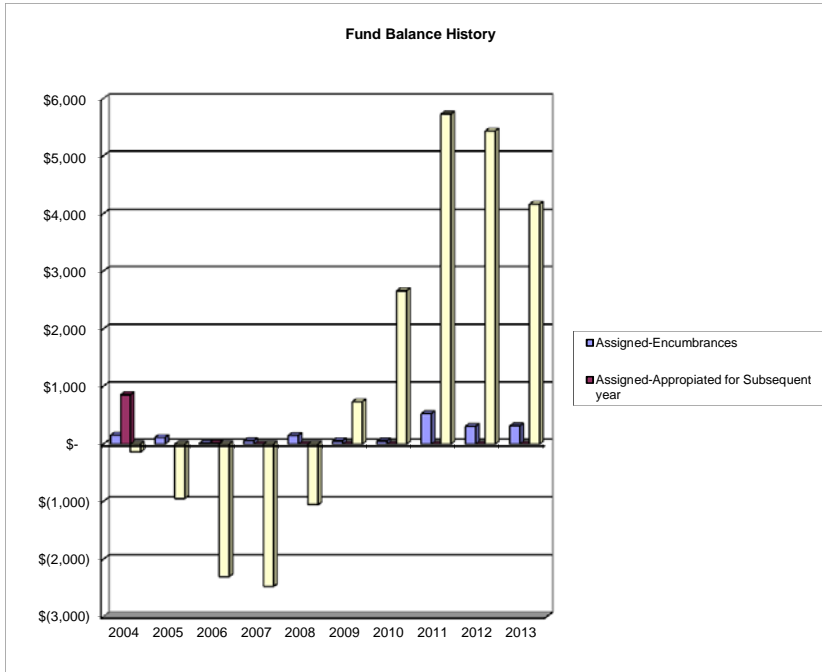
Source: City of Olean Annual Report (2004-2013)



City of Olean
Fund Balance History
 General Fund

Last Ten Fiscal Years
 (amounts expressed in thousands)

| <u>Source</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------------------------------|---------------|-----------------|-------------------|-------------------|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Assigned-Encumbrances | \$ 154 | \$ 116 | \$ 14 | \$ 59 | \$ 148 | \$ 55 | \$ 49 | \$ 525 | \$ 307 | \$ 312 |
| Assigned-Appropriated for Subsequen | 850 | | 15 | - | - | - | - | - | - | - |
| Unassigned | (141) | (949) | (2,309) | (2,480) | (1,058) | 732 | 2,658 | 5,728 | 5,437 | 4,164 |
| Total | \$ 863 | \$ (833) | \$ (2,280) | \$ (2,421) | \$ (910) | \$ 787 | \$ 2,707 | \$ 6,253 | \$ 5,744 | \$ 4,476 |



Assessed and Equalized Full Value of Taxable Property (1)

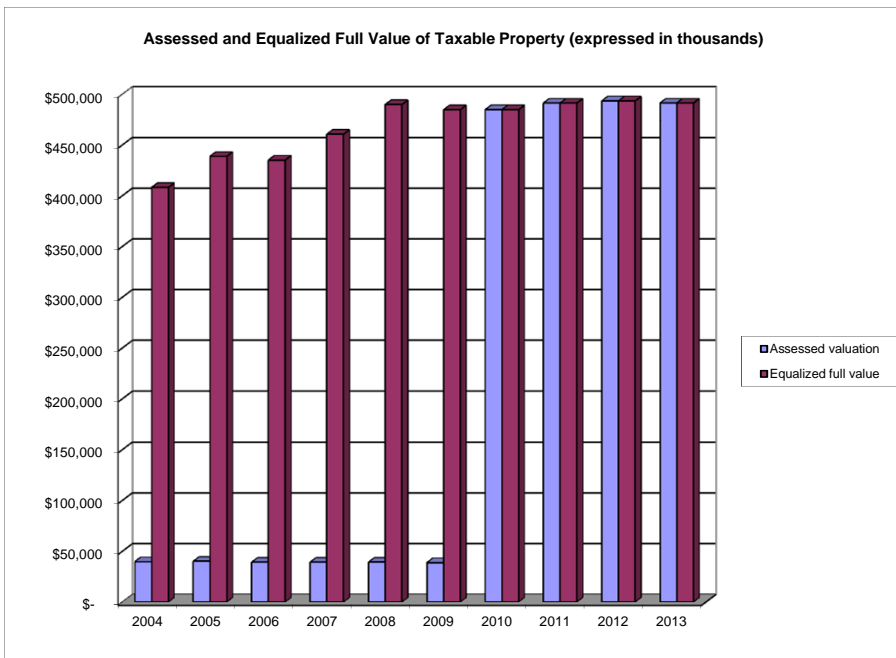
Last Ten Fiscal Years
(amounts expressed in thousands)

| Source | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|
| Assessed valuation | \$ 39,782 | \$ 40,052 | \$ 39,154 | \$ 39,141 | \$ 39,178 | \$ 38,725 | \$ 484,646 | \$ 491,202 | \$ 493,281 | \$ 491,211 |
| Equalized full value | 408,021 | 438,686 | 435,044 | 460,482 | 489,725 | 484,520 | 484,646 | 491,202 | 493,281 | 491,211 |
| Ratio: Assessed value to equalized full value | 9.75% | 9.13% | 9.00% | 8.50% | 8.00% | 7.99% | 100.00% | 100.00% | 100.00% | 100.00% |

Notes:

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

Source: City of Olean Annual Report (2004-2013)



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

Last Ten Fiscal Years

Source

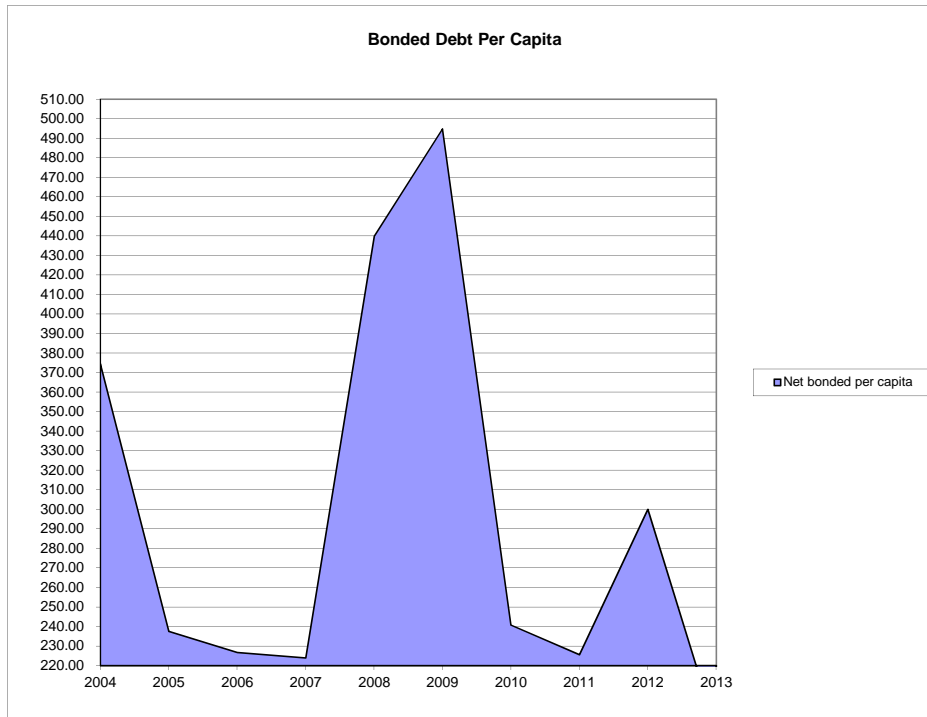
| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|---------------|--------------|--------------|--------------|---------------|---------------|--------------|--------------|--------------|--------------|
| Net bonded per capita | 374.54 | 237.57 | 226.75 | 223.95 | 439.70 | 494.82 | 240.76 | 225.57 | 300.03 | 186.62 |
| Population | 15,347 | 15,347 | 15,347 | 15,347 | 15,347 | 15,347 | 15,347 | 14,452 | 14,452 | 14,452 |
| Assessed value (000) | 39,782 | 40,052 | 39,154 | 39,141 | 39,178 | 38,725 | 48,465 | 49,120 | 49,328 | 49,121 |
| Gross bonded debt (000) | 19,022 | 20,278 | 20,565 | 23,022 | 26,110 | 32,786 | 30,584 | 29,052 | 27,433 | 26,106 |
| Less: self-supporting debt (000) | 13,274 | 16,632 | 17,085 | 19,585 | 19,362 | 25,192 | 26,889 | 25,792 | 23,097 | 23,409 |
| Net bonded debt (000) | 5,748 | 3,646 | 3,480 | 3,437 | 6,748 | 7,594 | 3,695 | 3,260 | 4,336 | 2,697 |
| Ratio of net bonded debt to assessed value | <u>14.45%</u> | <u>9.10%</u> | <u>8.89%</u> | <u>8.78%</u> | <u>17.22%</u> | <u>19.61%</u> | <u>7.62%</u> | <u>6.64%</u> | <u>8.79%</u> | <u>5.49%</u> |

Notes:

Self-supporting debt includes water debt

Sources:

Population (2003-2010) were obtained from the 2000 census
 Population (2011-2013) were obtained from the 2010 census
 Assessed value amounts were obtained via the City Assessor's office.
 Debt amounts were obtained via the City Auditor's report 2004-2013



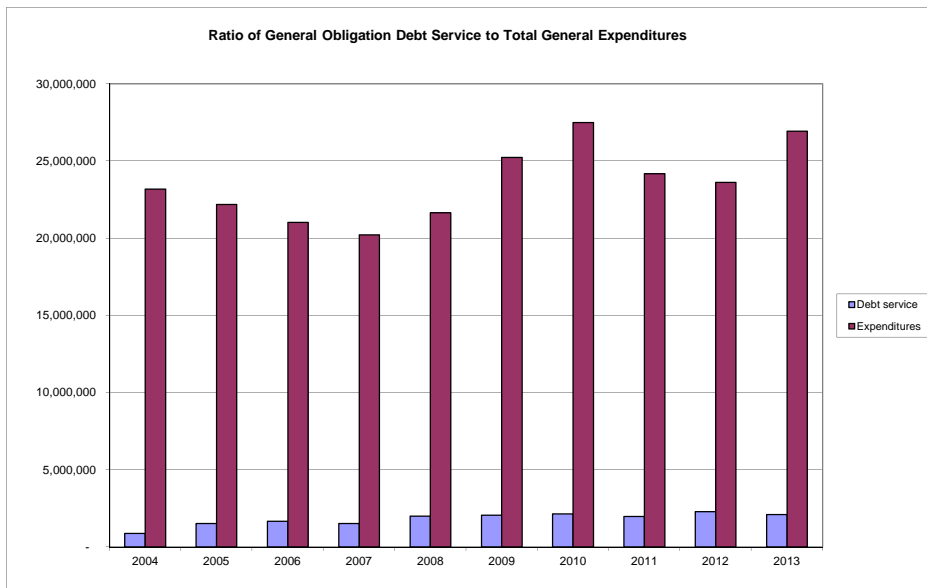
Ratio of General Obligation Debt Service to
Total General Expenditures

Last Ten Fiscal Years

| Source | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Debt service | 874,000 | 1,530,000 | 1,660,000 | 1,512,000 | 1,997,000 | 2,065,000 | 2,151,000 | 1,984,000 | 2,289,000 | 2,093,000 |
| Expenditures | 23,192,000 | 22,195,000 | 21,033,000 | 20,221,000 | 21,647,000 | 25,245,000 | 27,504,000 | 24,185,000 | 23,609,000 | 26,929,000 |
| Ratio of general debt service to total general expenditures | 3.77% | 6.89% | 7.89% | 7.48% | 9.23% | 8.18% | 7.82% | 8.20% | 9.70% | 7.77% |

Notes:

- (1) Debt service amounts shown include payments made from all governmental fund types
- (2) General expenditures include amounts recorded in the general, special revenue, capital projects and debt service funds for all years.



City of Olean
Principal Taxpayers

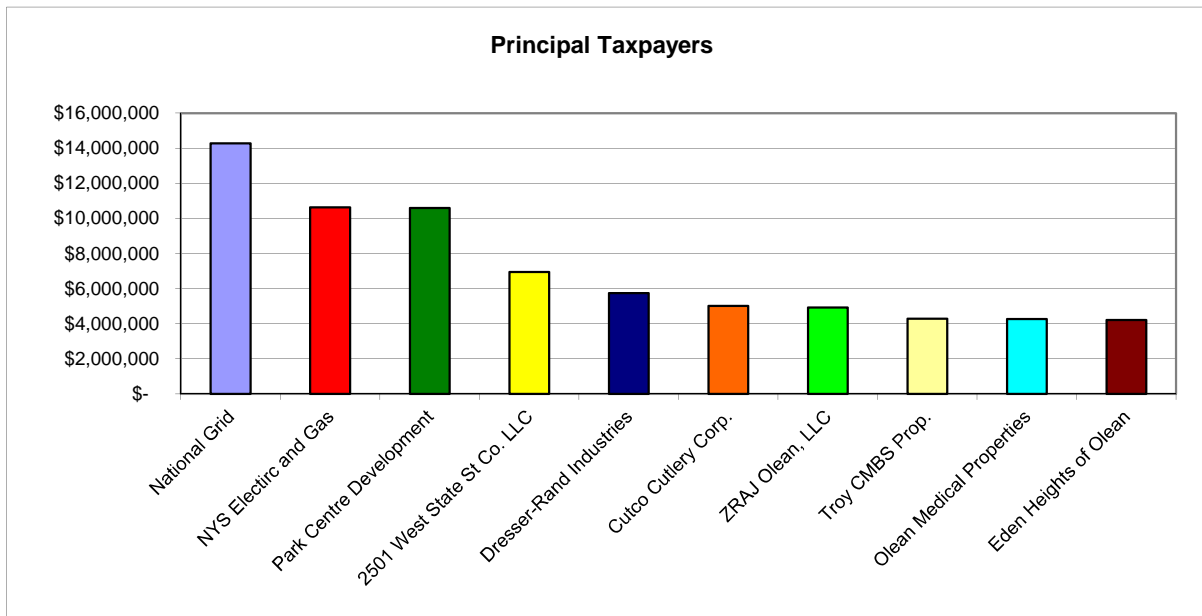
Fiscal Year Ended May 31, 2013

Page 89

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>Estimated Equalized Full Value</u> | <u>Percentage of Equalized Full Value</u> |
|----------------------------|-------------------------|---------------------------------------|---|
| National Grid | Public Utility | \$ 14,285,227 | 2.91% |
| NYS Electric and Gas | Public Utility | 10,639,560 | 2.16% |
| Park Centre Development | Real Estate | 10,601,300 | 2.17% |
| 2501 West State St Co. LLC | Grocery /Retail | 6,950,000 | 1.41% |
| Dresser-Rand Industries | Manufacturing | 5,756,400 | 1.17% |
| Cutco Cutlery Corp. | Manufacturing | 5,021,600 | 1.02% |
| ZRAJ Olean, LLC | Retail | 4,924,275 | 1.00% |
| Troy CMBS Prop. | Retail | 4,300,000 | 0.88% |
| Olean Medical Properties | Health Care | 4,276,800 | 0.87% |
| Eden Heights of Olean | Residential | 4,225,000 | 0.86% |
| Total | | \$ 70,980,162 | 14.45% |

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.



| <u>Employer</u> | <u>Type of Activity</u> | <u>Approximate # of Employees</u> |
|----------------------------|-------------------------|-----------------------------------|
| Olean General Hospital | Medical Facility | 900 |
| Dresser Rand | Manufacturing | 700 |
| CUTCO Cutlery Corp. | Manufacturing | 669 |
| The ReHabilitation Center | Services | 530 |
| Olean Center Mall | Retail Shops | 400 |
| Olean City Schools | Education | 350 |
| Henkel Loctite Corporation | Manufacturing | 300 |
| Subcon (Rehab) | Services | 250 |
| Olean Medical | Health Care | 200 |
| Olean YMCA | Services | 200 |
| City of Olean | Local Government | 200 |
| Community Bank, N.A. | Banking | 180 |

Source: City Officials

