

**CITY OF OLEAN, NEW YORK**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**AS OF AND FOR THE YEAR ENDED**  
**MAY 31, 2025**



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FINANCIAL STATEMENTS  
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INDEPENDENT AUDITOR’S REPORT

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

**Report on the Audit of the Financial Statements**

***Opinions***

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 (the “City”), as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of May 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements and the supplementary information listed in the table of contents, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2026 on our consideration of the City'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 solely 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 effectiveness of the City's 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's internal control over financial reporting and compliance.

R.A. Mercer & Co., P.C.

*R.A. Mercer & Co., P.C.*

West Seneca, New York  
February 12, 2026

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**CITY OF OLEAN, NEW YORK**  
**Management's Discussion and Analysis**  
**For the Year Ended May 31, 2025**

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As management of the City of Olean, New York (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended May 31, 2025. This document should be read in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$67,912,747 (net position). This amount consists of \$66,643,520 in net investment in capital assets and \$4,359,181 restricted for specific purposes offset by negative unrestricted net position of \$3,089,954.
- The City's total net position increased by \$4,646,478 during 2025. This increase is attributable to a number of factors. The City's net position increased by \$3.3 million as a result of its revenues exceeding its expenditures under governmental fund accounting netted with a positive prior period adjustment of \$305 thousand. Additionally, the City issued a new bond in the amount of \$1.9 million while making principal payments on its bonds and leases of \$2.3 million. These amounts are recorded as revenues and expenditures respectively on the governmental fund statements but are recorded as increases and decreases respectively on the government-wide statements. Additionally, the City's capital outlays net of depreciation expense totaled \$688 thousand. Capital asset acquisitions are expenses for fund accounting purposes but are capitalized and depreciated on the government-wide statements.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,318,460, an increase of \$3.6 million in comparison with the prior year due primarily to overall revenues exceeding expenditures.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,454,070, or approximately 13.3% of total General Fund expenditures. This is an improvement when compared with the prior year's percentage of 10.0%.
- The City's total bonded debt decreased by \$410,900 based on principal payments made exceeded the amount of the new bond issued.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The City does not have any business-type activities.

The government-wide financial statements can be found on pages immediately following this section as the first two pages of the basic financial statements.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as, on balances of *spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General, Water, Sewer, Debt Service, and Capital Projects Funds, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual budget for all major governmental funds, except Capital Projects. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with their budgets.

The financial statements for governmental funds can be found in the fund financial statements, following the government-wide financial statements.

**Notes to the Financial Statements.** The financial statements also include notes that explain some of the information in the financial statements and provide detailed data. They are essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found following the fund financial statements section of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City’s funding its obligation to provide post-employment benefits to its employees, the City’s net pension liability, and the City’s budgetary comparison schedules for each major fund with a legally adopted budget. The required supplementary information can be found following the notes to the financial statements of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds as well as the combining Balance Sheet and Schedule of Expenditures for the capital projects fund are presented immediately following the Required Supplementary Information in the Supplementary Information section of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67,912,747 at the close of the 2025 fiscal year.

**Table 1 – Condensed Statement of Net Position**

	Governmental Activities		
	At 5/31/25	At 5/31/24	Dollar Change
Current assets	\$ 27,198,402	21,166,941	6,031,461
Capital assets	94,015,420	93,327,778	687,642
Total assets	121,213,822	114,494,719	6,719,103
Deferred outflows of resources	5,805,656	6,766,963	(961,307)
Current liabilities	12,121,897	10,158,926	1,962,971
Long-term liabilities	38,054,221	36,592,708	1,461,513
Total liabilities	50,176,118	46,751,634	3,424,484
Deferred inflows of resources	8,930,613	11,243,779	(2,313,166)
Net investment in capital assets	66,643,520	63,440,976	3,202,544
Restricted net position	4,359,181	3,067,410	1,291,771
Unrestricted net position	(3,089,954)	(3,242,117)	152,163
Total net position	\$ 67,912,747	63,266,269	4,646,478

At the end of the current fiscal year, the City is able to report positive balances in two categories of net position. Both net investment in capital assets and restricted net position report positive balances. Unrestricted net position reports a deficit balance, which indicates its long-term outlook relies on future revenue streams.

The largest portion of the City’s net position (\$66,643,520) reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position, \$4,359,181, represents resources subject to external restrictions on how they may be used and are reported as restricted net position. The remaining category of total net position (negative \$3,089,954) is considered to be unrestricted. This deficit does not mean the City does not have the assets available to meet its obligations in the upcoming year, but rather, it is the result of having long-term commitments that are greater than its currently available resources. Payments for these liabilities will be budgeted in the year that the actual payments will be made.

**Governmental activities.** Governmental activities increased the City’s net position by \$4,341,547. Additionally, the City recorded a prior period adjustment to its net position for \$304,931 related to expenditures made during the prior year. Table 2 shows the changes in net position for the years ended May 31, 2025 and 2024.

**Table 2 – Changes in Net Position**

	<u>Governmental Activities</u>		
	<u>FY 5/31/25</u>	<u>FY 5/31/24</u>	<u>Dollar Change</u>
<b>Revenue:</b>			
Program Revenues:			
Charges for Services	\$ 13,926,537	12,106,436	1,820,101
Operating Grants, Capital Grants, and Contributions	7,391,053	7,341,457	49,596
General Revenues:			
Real Property Taxes and Tax Items	8,070,484	7,858,923	211,561
Non-Property Taxes	5,805,065	5,375,106	429,959
Use of Money and Property	464,669	150,529	314,140
Total Revenues	<u>35,657,808</u>	<u>32,832,451</u>	<u>2,825,357</u>
<b>Expenses:</b>			
General Government Support	4,331,754	4,852,980	(521,226)
Public Safety	13,887,795	13,270,245	617,550
Health	118,257	98,638	19,619
Transportation	4,012,553	4,691,095	(678,542)
Economic Assistance and Opportunity	2,283	2,041	242
Culture and Recreation	2,161,000	1,896,368	264,632
Home and Community Services	6,214,688	6,886,801	(672,113)
Debt Service	587,931	513,923	74,008
Total Expenses	<u>31,316,261</u>	<u>32,212,091</u>	<u>(895,830)</u>
Change in Net Position	4,341,547	620,360	3,721,187
Net Position - Beginning of Year	63,266,269	62,120,826	
Prior period adjustment	304,931	525,083	
Net Position - End of Year	<u>\$ 67,912,747</u>	<u>63,266,269</u>	

As previously noted, the change in the City's net position for 2025 was an increase of \$4,646,478 which compares with an increase in net position during the previous year of \$1,145,443. An analysis of revenues and expenses reveals the following:

- The most significant revenue sources are real property and other tax items, grants and contributions, and non-property taxes (which is largely an allocation of sales tax collected within the County of Cattaraugus) which accounted for 22.6%, 20.7%, and 16.3% of total revenue respectively during 2025. Comparatively, these revenue categories comprised 23.9%, 22.4%, and 16.4% of revenues, respectively during the prior year. Combined, these three revenue types make up 59.6% and 62.7% of all City revenue during 2025 and 2024 respectively.
- The most significant expense items include general government support, home and community services (services such as sanitary sewers, garbage and refuse), public safety (services such as police and safety inspection), and transportation (services such as road maintenance and repair and snow removal) which account for 13.8%, 19.8%, 44.3%, and 12.8% of all expenses respectively during 2025. Comparatively, these expense categories comprised 5.1%, 21.4%, 41.2%, and 14.6% of all expenses respectively during 2024. Combined, these three expense types made up 90.8% and 92.2% of all City expenses during 2025 and 2024 respectively.
- Significant expense increases were noted in the public safety and culture and recreation categories.

Program revenues for 2025 and 2024 Governmental Activities were as follows:

**Table 3 – Sources of Revenues – Primary Government**

	FY 5/31/25		FY 5/31/24		Dollar
	Amount		Amount		Change
Charges for services	\$ 13,926,537	39.1%	12,106,436	36.9%	1,820,101
Operating grants and contributions	2,797,624	7.8%	2,974,350	9.1%	(176,726)
Capital grants and contributions	4,593,429	12.9%	4,367,107	13.3%	226,322
Property taxes and tax items	8,070,484	22.6%	7,858,923	23.9%	211,561
Non-property tax items (sales tax)	5,805,065	16.3%	5,375,106	16.4%	429,959
Investment earnings & other	464,669	1.3%	150,529	0.5%	314,140
Total revenues	<u>\$ 35,657,808</u>		<u>32,832,451</u>		<u>2,825,357</u>

Program expenses for 2025 and 2024 Governmental Activities were as follows:

**Table 4 – Expense by Function**

	FY 5/31/25		FY 5/31/24		Dollar
	Amount		Amount		Change
General government support	\$ 4,331,754	13.8%	4,852,980	15.1%	(521,226)
Public safety	13,887,795	44.3%	13,270,245	41.2%	617,550
Health	118,257	0.4%	98,638	0.3%	19,619
Transportation	4,012,553	12.8%	4,691,095	14.6%	(678,542)
Economic development	2,283	0.0%	2,041	0.0%	242
Culture and recreation	2,161,000	6.9%	1,896,368	5.9%	264,632
Home and community services	6,214,688	19.8%	6,886,801	21.4%	(672,113)
Debt service	587,931	1.9%	513,923	1.6%	74,008
Total expenses	<u>\$ 31,316,261</u>		<u>32,212,091</u>		<u>(895,830)</u>

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned and assigned fund balances* may serve as a useful measure of a government’s net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$9,318,460, an increase of \$3,601,607, in comparison with the prior year. This increase in fund balance is due to revenues exceeding expenditures during the year netted with a prior period adjustment. *Unassigned fund balance* is \$225,251. Additionally, the City’s *assigned fund balances* totaled \$4,732,506. *Restricted* amounts, totaling \$4,359,181 at May 31, 2025, represent net current financial resources that are constrained to specific purposes by their providers or by the nature of their purpose.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,454,070, while total fund balance amounted to \$2,514,696. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 13.3 percent of total General Fund expenditures, while total fund balance represents approximately 13.6 percent of total General Fund expenditures.

## General Fund Budgetary Highlights

A summary of the General Fund results of operations for the year ended May 31, 2025 is presented below in Table 5:

**Table 5 – Summary of General Fund Results of Operations**

	<u>Budgeted Amount</u>		Budgetary <u>Variance</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>			
Revenues	\$ 20,490,422	20,490,422	-	19,973,537	(516,885)
Expenditures and other financing uses	<u>20,490,422</u>	<u>20,551,048</u>	<u>(60,626)</u>	<u>19,574,174</u>	<u>(976,874)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>(60,626)</u>	<u>60,626</u>	<u>399,363</u>	<u>459,989</u>

**Original budget compared to final budget.** During the year, the City increased the estimated original budgeted appropriations by \$60,626.

**Final budget compared to actual results.** A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields material favorable variances of \$500 thousand within miscellaneous revenues, \$260 thousand within general government support expense, \$377 thousand within public safety expense, \$288 thousand within transportation expense, and \$136 thousand within culture and recreation expense, and material unfavorable variances of \$599 thousand within non-property tax items, \$594 within state aid, \$129 thousand within departmental income, \$116 thousand within property tax revenue, and \$179 within employee benefits expense. The variance within non-property tax revenues was created through sales tax distributions from Cattaraugus County exceeding the estimated amount. The variances within the other categories were caused by circumstances that occurred after the budget was adopted and for which no budgetary adjustments were made.

## Capital Assets and Debt Administration

**Capital Assets** - The City's investment in capital assets as of May 31, 2025 amounted to \$94,015,420 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, and vehicles.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the City's capital asset policy. Capital assets net of depreciation for the governmental activities are presented in the table below:

	<u>Governmental Activities</u>	
	<u>5/31/25</u>	<u>5/31/24</u>
Land	\$ 384,187	384,187
Construction in progress	10,882,379	8,862,921
Buildings and improvements	130,459,450	127,500,023
Furniture and equipment	18,098,759	17,836,448
Vehicles	11,956,635	11,701,119
Accumulated depreciation	<u>(77,765,990)</u>	<u>(72,956,920)</u>
	<u>\$ 94,015,420</u>	<u>93,327,778</u>

The City's assets are recorded at historical cost or estimated historical cost in the government-wide financial statements. Additional information on the City's capital assets can be found in the notes to the financial statements.

**Debt** - At May 31, 2025, the City had total bonded debt outstanding of \$28,774,800 as compared to \$29,185,700 in the prior year. The City issued a new serial bonds during fiscal year 2025 in the amount of \$1,880,000. Additional information on the City's long-term debt can be found in the notes to the financial statements.

### **Economic Factors**

Several significant economic factors are present that may impact the City's financial results in the future. The cost of health care, NYS retirement, and other insurance costs are expected to increase over the next several years. The City continues to monitor its costs and budget accordingly to ensure sound fiscal management in the future.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Mr. Lens Martial, City Auditor  
City of Olean, New York  
Municipal Building  
Olean, New York

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF OLEAN  
STATEMENT OF NET POSITION  
AT MAY 31, 2025**

	Primary Government
	Governmental Activities
<b>Assets</b>	
Cash on hand	\$ 1,565
Restricted cash	9,121,302
Cash on deposit	6,126,253
Receivables	
Refuse and garbage	1,869
Special assessment	6,351,409
Accounts receivable	3,454,258
Advances to other funds	188,297
Due from other governments	1,638,569
Revolving loans receivable	22,738
First-time homebuyers loans receivable	2,799
Rehabilitation loans receivable	229
Other assets	289,114
Capital assets, net	94,015,420
Total assets	121,213,822
Deferred outflows of resources	
Deferred outflows on pensions	5,805,656
Total deferred outflows of resources	5,805,656
Total assets and deferred outflows of resources	127,019,478
<b>Liabilities</b>	
Accounts payable	184,115
Accrued liabilities	1,333,250
Advances from other funds	188,297
Due to employee retirement system	418,929
Other liabilities	25,839
Unearned revenue	470,318
Bond anticipation notes	7,080,330
Long-term liabilities	
Due and payable within one year	2,420,819
Due and payable after one year	38,054,221
Total liabilities	50,176,118
Deferred inflows of resources	
Deferred inflows on pensions	422,395
Taxes collected for subsequent year	8,508,218
Total deferred inflows of resources	8,930,613
Total liabilities and deferred inflows of resources	59,106,731
<b>Net position</b>	
Net investment in capital assets	66,643,520
Restricted for:	
Capital	4,359,181
Unrestricted	(3,089,954)
Total net position	67,912,747
Total liabilities, deferred inflows of resources, and net position	\$ 127,019,478

The accompanying notes are an integral part of these financial statements.

CITY OF OLEAN  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEAR ENDED MAY 31, 2025

Functions/Programs Primary Government:	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Total
					Activities	
<b>Governmental Activities:</b>						
General government support	\$ 4,331,754	2,404,034	2,576,804	-	649,084	649,084
Public safety	13,887,795	1,356,319	84,302	-	(12,447,174)	(12,447,174)
Health	118,257	89,911	-	-	(28,346)	(28,346)
Transportation	4,012,553	199,939	136,518	146,284	(3,529,812)	(3,529,812)
Economic development	2,283	93,761	-	-	91,478	91,478
Culture and recreation	2,161,000	294,934	-	20,781	(1,845,285)	(1,845,285)
Home and community services	6,214,688	9,487,639	-	4,426,364	7,699,315	7,699,315
Debt service	587,931	-	-	-	(587,931)	(587,931)
Total Governmental Activities	31,316,261	13,926,537	2,797,624	4,593,429	(9,998,671)	(9,998,671)
Total Primary Government	31,316,261	13,926,537	2,797,624	4,593,429	(9,998,671)	(9,998,671)

General Revenues (Expenses):

Taxes:

Property Taxes, Levied for General Purposes	8,070,484	8,070,484
Nonproperty Tax Items, for General Purposes	5,805,065	5,805,065
Restricted Investment Earnings	464,669	464,669
Total General Revenues	14,340,218	14,340,218
Change in Net Position	4,341,547	4,341,547
Net Position-Beginning of the Year	63,266,269	63,266,269
Prior Period Adjustment	304,931	304,931
Net Position-End of the Year	\$ 67,912,747	67,912,747

The accompanying notes are an integral part of these financial statements.

**CITY OF OLEAN  
COMBINED BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
AT MAY 31, 2025**

	Major Funds					Non-Major Funds	Total
	General	Water	Sewer	Debt Service	Capital Projects Fund	Special Revenue Funds	
<b>Assets</b>							
Cash on hand	\$ 1,525	40	-	-	-	-	1,565
Cash on deposit	3,043,807	362,109	2,052,054	168,526	9,121,302	499,757	15,247,555
Receivables							
Refuse and garbage	1,869	-	-	-	-	-	1,869
Special assessment	6,351,409	-	-	-	-	-	6,351,409
Accounts receivable	1,497,502	705,356	1,251,400	-	-	-	3,454,258
Due from other funds	635,286	199,546	184,479	1,183,386	276,895	-	2,479,592
Advances to other funds	188,297	-	-	-	-	-	188,297
Due from other governments	841,841	241,478	114,042	-	441,208	-	1,638,569
Revolving loans receivable	-	-	-	-	-	22,738	22,738
First-time homebuyers loans receivable	-	-	-	-	-	2,799	2,799
Rehabilitation loans receivable	-	-	-	-	-	229	229
Other assets	79,809	163,100	46,205	-	-	-	289,114
<b>Total assets</b>	<u>12,641,345</u>	<u>1,671,629</u>	<u>3,648,180</u>	<u>1,351,912</u>	<u>9,839,405</u>	<u>525,523</u>	<u>29,677,994</u>
<b>Liabilities</b>							
Accounts payable	180,045	3,512	558	-	-	-	184,115
Accrued liabilities	861,019	74,610	68,267	-	-	-	1,003,896
Due to other funds	171,111	537,387	146,586	1,564,745	-	59,763	2,479,592
Advances from other funds	-	74,129	114,168	-	-	-	188,297
Due to employee retirement system	355,643	31,643	31,643	-	-	-	418,929
Other liabilities	20,625	5,214	-	-	-	-	25,839
Unearned revenue	29,988	-	-	-	414,358	25,972	470,318
Bond anticipation notes	-	-	-	-	7,080,330	-	7,080,330
<b>Total liabilities</b>	<u>1,618,431</u>	<u>726,495</u>	<u>361,222</u>	<u>1,564,745</u>	<u>7,494,688</u>	<u>85,735</u>	<u>11,851,316</u>
<b>Deferred inflows of resources</b>							
Taxes collected for subsequent year	8,508,218	-	-	-	-	-	8,508,218
<b>Fund equity</b>							
Restricted	-	-	-	-	4,359,181	-	4,359,181
Assigned	60,626	945,134	3,286,958	-	-	439,788	4,732,506
Unassigned (deficit)	2,454,070	-	-	(212,833)	(2,014,464)	-	226,773
<b>Total fund equity</b>	<u>2,514,696</u>	<u>945,134</u>	<u>3,286,958</u>	<u>(212,833)</u>	<u>2,344,717</u>	<u>439,788</u>	<u>9,318,460</u>
<b>Total liabilities, deferred inflows of resources, and fund equity</b>	<u>\$ 12,641,345</u>	<u>1,671,629</u>	<u>3,648,180</u>	<u>1,351,912</u>	<u>9,839,405</u>	<u>525,523</u>	<u>29,677,994</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF OLEAN, NEW YORK**  
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2025**

	Major Funds					Non-Major Funds	Total
	General	Water	Sewer	Debt Service	Capital Projects Fund	Special Revenue Funds	
<b>Revenue</b>							
Real property taxes	\$ 7,940,056	-	-	-	-	-	7,940,056
Real property tax items	130,428	-	-	-	-	-	130,428
Non-property tax items	5,805,065	-	-	-	-	-	5,805,065
Departmental income	1,659,809	4,260,869	3,842,692	-	-	93,761	9,857,131
Intergovernmental charges	366,532	-	682,437	-	-	-	1,048,969
Use of Money and Property	82,964	11,316	58,455	112	256,637	153	409,637
Licenses and Permits	168,029	-	-	-	-	-	168,029
Fines and forfeitures	10,156	-	-	-	-	-	10,156
Sale of property and compensation for loss	68,239	-	-	-	-	-	68,239
Miscellaneous	499,978	87,329	288,187	18,106	243,752	-	1,137,352
State aid	2,828,171	-	-	-	4,193,318	-	7,021,489
Federal aid	136,518	-	-	-	233,046	-	369,564
<b>Total revenue</b>	<b>19,695,945</b>	<b>4,359,514</b>	<b>4,871,771</b>	<b>18,218</b>	<b>4,926,753</b>	<b>93,914</b>	<b>33,966,115</b>
<b>Expenditures</b>							
General government support	2,607,198	97,448	120,338	16,667	68,521	54,466	2,964,638
Public safety	7,258,187	-	-	-	1,808,233	-	9,066,420
Health	91,453	-	-	-	-	-	91,453
Transportation	2,002,783	-	-	-	2,276,044	-	4,278,827
Economic development	2,200	-	-	-	-	-	2,200
Culture and recreation	1,101,029	-	-	-	319,225	-	1,420,254
Home and community services	192,577	1,758,319	2,112,808	-	2,712,792	7,178	6,783,674
Employee benefits	5,203,666	632,844	722,480	-	-	-	6,558,990
Debt service:							
Principal	-	-	-	2,403,959	-	-	2,403,959
Interest	4,986	-	-	458,977	151,722	-	615,685
<b>Total expenditures</b>	<b>18,464,079</b>	<b>2,488,611</b>	<b>2,955,626</b>	<b>2,879,603</b>	<b>7,336,537</b>	<b>61,644</b>	<b>34,186,100</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>1,231,866</b>	<b>1,870,903</b>	<b>1,916,145</b>	<b>(2,861,385)</b>	<b>(2,409,784)</b>	<b>32,270</b>	<b>(219,985)</b>
<b>Other financing sources (uses)</b>							
BANs redeemed from appropriations	25,000	-	-	1,611,661	-	-	1,636,661
Bond proceeds	100,000	-	-	-	1,780,000	-	1,880,000
Operating transfers in	152,592	-	-	1,249,836	2,900,416	-	4,302,844
Operating transfers out	(1,110,095)	(1,310,813)	(1,722,457)	-	(154,784)	(4,695)	(4,302,844)
<b>Total other financing sources (uses)</b>	<b>(832,503)</b>	<b>(1,310,813)</b>	<b>(1,722,457)</b>	<b>2,861,497</b>	<b>4,525,632</b>	<b>(4,695)</b>	<b>3,516,661</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>399,363</b>	<b>560,090</b>	<b>193,688</b>	<b>112</b>	<b>2,115,848</b>	<b>27,575</b>	<b>3,296,676</b>
<b>Fund equity - beginning of year</b>	<b>1,810,402</b>	<b>385,044</b>	<b>3,093,270</b>	<b>(212,945)</b>	<b>228,869</b>	<b>412,213</b>	<b>5,716,853</b>
Prior year adjustment	304,931	-	-	-	-	-	304,931
<b>Fund equity - end of year</b>	<b>\$ 2,514,696</b>	<b>945,134</b>	<b>3,286,958</b>	<b>(212,833)</b>	<b>2,344,717</b>	<b>439,788</b>	<b>9,318,460</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF OLEAN  
RECONCILIATION OF GOVERNMENTAL BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED MAY 31, 2025**

Total fund balance - governmental funds		\$ 9,318,460
<p>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:</p>		
Cost of the assets:	171,781,410	
Accumulated depreciation:	<u>(77,765,990)</u>	94,015,420
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
		(329,354)
<p>Deferred inflows and outflows of resources related to actuarial pension differences are reported on the Statement of Net Position and amortized over the average members' years of service. In the governmental funds pension expense is based on required contributions.</p>		
		5,383,261
<p>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:</p>		
Serial Bonds payable	(29,420,870)	
Net pension liability	(10,338,849)	
Lease liability	(67,198)	
Other post-employment benefits	(299,559)	
Compensated absences	<u>(348,564)</u>	<u>(40,475,040)</u>
Total net position - governmental liabilities		<u>\$ 67,912,747</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF OLEAN  
RECONCILIATION OF GOVERNMENTAL BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED MAY 31, 2025**

Total change in fund balance - governmental funds \$ 3,296,676

Amounts reported for governmental activities in state 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 the useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	5,496,712	
Depreciation expense	<u>(4,809,070)</u>	687,642

Proceeds from the issuance of long-term debt is recorded as revenue per governmental accounting but is recorded as a liability per GAAP. (1,880,000)

Repayment of bond and other long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 2,403,959

Bond premiums are recorded as revenue per governmental accounts but are recorded as a liability and amortized per GAAP. The annual amortization is recorded as a liability reduction on the government-wide statements. 55,032

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 requires 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. Bond issuance costs on refunding are expensed in the Statement of Activities. 27,754

The City's proportionate share of actuarial calculated expense and net amortization of deferred amounts are recorded in the Statement of Activities whereas in the governmental funds, pension expense is based on the City's required contribution to pension plans. (102,082)

The City's proportionate share of actuarial calculated OPEB expense and net amortization of deferred amounts are reported in the Statement of Activities whereas in the governmental funds, OPEB expense is based on the City's required contribution to the OPEB plan. 32,538

In the Statement of Activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used. (179,972)

Change in net position of governmental activities \$ 4,341,547

The accompanying notes are an integral part of these financial statements.

**CITY OF OLEAN, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

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

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

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

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

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

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.

## A. 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. 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, First Time Homebuyers and Miscellaneous Special Revenue funds.

**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. The City does not have any activities that qualify for reporting as fiduciary.

B. Basis of Accounting/Measurement Focus

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

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

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

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

C. 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.

D. Cash and Cash Equivalents

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

## E. Fund Equity - Reservations and Designations

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

### 1. Governmental Funds

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

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

#### A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). The City did not have any nonspendable fund balance as of May 31, 2025.

#### B. Restricted

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

##### 1. Reserve for Debt Service

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

##### 2. Reserve for Capital Projects

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

#### 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, 2025.

**D. Assigned**

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

**1. Encumbrance Reserve**

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Project Funds. The cost of construction contract commitments generally is recorded as an encumbrance of Capital Project Funds and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the contractors perform the construction work. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. As of May 31, 2025, the general fund had \$60,626 recorded as encumbrances.

**2. Special Revenue Fund Balance**

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

**3. Appropriated Fund Balance**

No amounts of fund equity have been designated as the amount estimated to be applied towards the budget for the fiscal year ending May 31, 2026.

**E. Unassigned**

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

**1. Government-wide financial statements**

**A. Net Investment in Capital Assets**

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

**B. Restricted**

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

**C. Unrestricted**

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

## 2. 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 includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;
- 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.

## F. Budgetary Data

### 1. Budget Policies

The budget policies are as follows:

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

### 2. Budget Basis of Accounting

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

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

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

actual.

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

**G. 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 City's General Fund Balance Sheet, as of May 31, 2025, reflects a receivable balance from Federal and State governments of \$841,841, of which, \$602,192, 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.

**H. Capital Assets**

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000.00	Straight-line	40 years
Land improvements	1,000	Straight-line	25 years
Furniture and equipment	1,000	Straight-line	7 years
Transportation vehicles	1,000	Straight-line	8 years

**I. Unearned Revenue**

Unearned revenue is reported on the City's combined balance sheet and statement of net position. Unearned revenue arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the City has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

**J. Compensated Absences**

Sick leave and Comp Time Pay - certain of the City's employee groups have negotiated benefits payable based on accumulated unused sick and comp days. Generally, the employee must have accumulated minimum years of service with the City and must be eligible for retirement under the provisions of either the employee retirement systems. The City has recorded an estimated liability in the statement of net position as of May 31, 2025 amounting to \$348,564 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.

**K. Retirement Incentives**

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

**L. 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.

**M. Reclassification**

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

**N. 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.

**O. Deferred Inflows and Outflows of Resources**

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first is reported as revenue not available – taxes. The second is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the City’s proportion of the collective net pension liability (ERS and PFRS Systems) and difference during the measurement periods between the City’s contributions and its proportion share of total contributions to the pension systems not included in pension expense.

**P. New Accounting Pronouncements**

The City has adopted all currently applicable statements of the Governmental Accounting Standards Board (“GASB”). During the year ended May 31, 2025, the City implemented the following new standards issued by GASB:

1. GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
2. GASB Statement No. 101 – *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and not yet paid in cash or settled through not-cash means. This liability includes leave that has not used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. The implementation of this standard did not have a material impact on the City’s financial statements.

**Q. Future Accounting Pronouncements**

GASB issued the following pronouncements which will be implemented in the years required. The effects of these pronouncements are not known at this time.

- Statement No. 102 – Certain Risk Disclosures. Effective for fiscal years beginning after June 15, 2024.
- Statement No. 103 – Financial Reporting Model Improvements. Effective for fiscal years beginning after June 15, 2025.
- Statement No. 104 – Disclosures of Certain Capital Assets. Effective for fiscal years beginning after June 15, 2025.

**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 five 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.

**3. Long-term Debt Transaction Differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

**4. Pension Differences**

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

**5. OPEB Differences**

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Cash and Investments

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

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, 2025, the City's bank deposits were fully collateralized.

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

a. Deposits

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

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

Total financial institution (bank) balances at May 31, 2025 per the bank were \$15,813,040. These deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>
\$ 250,000	15,563,040	-	15,813,040

The City has few investments and chooses to disclose its investments by specifically identifying each. The City's investment policy for these investments is also governed by New York State statutes Investments are stated at fair value, and are categorized as either:

- (1) Insured or registered, or investments held by the City or by the City's agent in the City's name or,
- (2) Uninsured and unregistered, with the investments held by the financial institutes trust department in the City's name, or
- (3) Uninsured and unregistered, with investments held by the financial institution or its trust department but not in the City's name.

The City participates in the Cooperative Liquid Assets Securities System - New York (NYCLASS) a multi- municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G Sections 119-n and o, and Chapter 623 of the Laws of 1998, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with general municipal law sections 10 and 11. These investments are classified as Level 1 investments. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org). The balance of the City's investments within the NYCLASS funds were \$9,674,876 at May 31, 2025.

## 2. Capital Assets

The City had capital assets in the following categories at May 31, 2025.

<u>Governmental Activities</u>	<u>Balance at 6/1/2024</u>	<u>Additions, Transfers, and Prior Period Adjustments</u>	<u>Balance at 5/31/2025</u>
Capital assets that are not being depreciated:			
Land	\$ 384,187	-	384,187
Construction in progress	8,862,921	2,019,458	10,882,379
Capital assets that are being depreciated:			
Buildings and improvements	127,500,023	2,959,427	130,459,450
Furniture and equipment	17,836,448	262,311	18,098,759
Vehicles	<u>11,701,119</u>	<u>255,516</u>	<u>11,956,635</u>
Total cost	166,284,698	5,496,712	171,781,410
Less: accumulated depreciation	<u>72,956,920</u>	<u>4,809,070</u>	<u>77,765,990</u>
Total net book value	<u>\$ 93,327,778</u>	<u>687,642</u>	<u>94,015,420</u>

Depreciation expense for the year ended May 31, 2025 is allocated as follows:

Depreciation expense:	
General government support	\$ 630,451
Public safety	1,375,549
Health	14,238
Transportation	994,546
Economic development	83
Culture and recreation	306,830
Home and community services	<u>1,487,373</u>
	<u>\$ 4,809,070</u>

### 3. Receivables

Receivables at May 31, 2025 consisted of the following, which are stated at net realizable value.

Fund	Description	Amount
General fund	Accounts receivable:	
	Village of Alleghany - sewer	\$ 1,394,117
	Parking	119,309
	Miscellaneous	83,256
	Allowance for doubtful accounts	<u>(99,180)</u>
	Total accounts receivable	1,497,502
Water fund	Accounts receivable - water rents and meter	705,356
Sewer fund	Accounts receivable - sewer rents and meter	1,251,400
	Due from Village of Allegany	1,540,707
	Allowance for Bad Debt	<u>(1,540,707)</u>
	Total accounts receivable	<u>1,251,400</u>
Total accounts receivable		<u><u>\$ 3,454,258</u></u>
General fund	Due from other governments:	
	Sales tax	\$ 602,192
	Mortgage tax	66,154
	Public transportation	136,518
	Maint. arterial highway	<u>36,977</u>
	Total due from federal and state	841,841
Water fund	Due from other governments	241,478
Sewer fund	Due from other governments	114,042
Capital Projects fund	Due from other governments	<u>441,208</u>
Total due from other governments		<u><u>\$ 1,638,569</u></u>
Community development:		
Revolving Loan	Loan receivable	\$ 22,738
1st Time Homebuyer	Loan receivable	2,799
Housing Rehab.	Loan receivable	<u>229</u>
Total community development		<u><u>\$ 25,766</u></u>

The City recorded an allowance for uncollectible accounts for other receivables in the general fund balance sheet and accounts receivable in the statement of net position in the amount of \$99,180 as of May 31, 2025.

**B. Liabilities**

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

Deferred inflows of resources and unearned revenue at May 31, 2025 recorded in governmental funds were as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Deferred inflows				
Real property taxes	\$ 8,508,218	-	-	8,508,218
	<u>\$ 8,508,218</u>	<u>-</u>	<u>-</u>	<u>8,508,218</u>
Unearned revenue				
Cares grant	\$ 29,988	-	-	29,988
Revolving loans	-	22,738	-	22,738
Housing rehab	-	229	-	229
1st time homebuyer	-	3,005	-	3,005
Capital projects	-	-	414,358	414,358
	<u>\$ 29,988</u>	<u>25,972</u>	<u>414,358</u>	<u>470,318</u>

Deferred inflows of resources related to real property taxes reflect collections during May 2025 for real property taxes levied on May 1 for the 2025-2026 fiscal year. Deferred inflows from special assessment taxes consist of levies on property owners to be collected after May 31, 2025. 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.

**2. Pension Plans**

**a. Plan Descriptions and Benefits Provided**

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

b. Contributions

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

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

	<u>ERS</u>	<u>PFRS</u>
May 31 2025	\$ 731,012	1,594,385
2024	603,666	1,454,981
2023	516,257	1,297,417

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

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

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

Over the years, the State Legislature authorized local governments to make available retirement incentive programs to qualifying employees. The City had no expenditures incurred or liability accrued related to the retirement incentive liabilities as of and for the year ended May 31, 2025.

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

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 663,453	2,553,398	31,295	-
Change of assumptions	112,100	1,151,117	-	-
Net difference between projected and actual earnings on pension plan investments	209,715	294,651	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	9,197	357,354	118,844	272,256
City's contributions subsequent to the measurement date	140,625	314,046	-	-
Total	<u>\$ 1,135,090</u>	<u>4,670,566</u>	<u>150,139</u>	<u>272,256</u>

At May 31, 2025, the City reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2025 for ERS and PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and PFRS Systems in reports provided to the City.

	ERS	PFRS
Measurement date	3/31/2025	3/31/2025
Net pension liability	\$2,672,986	7,665,863
City's portion of the Plan's total net pension liability	0.0155898%	0.1261484%

For the year ended May 31, 2025, the City's recognized pension expense (benefit) of \$519,310 for ERS and \$1,943,912 for PFRS.

City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending May 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, including contributions subsequent to the measurement date, will be recognized in pension expense as follows:

	ERS	PFRS
Year ending:		
2026	\$ 415,989	2,057,420
2027	652,461	1,278,919
2028	(248,575)	86,792
2029	24,451	472,942
2030	-	188,191
Thereafter	-	-

#### d. Actuarial Assumptions

Significant actuarial assumptions used in the valuations were as follows:

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

	ERS	PFRS
Measurement date	3/31/2025	3/31/2025
Actuarial valuation date	4/1/2024	4/1/2024
Interest rate	5.9%	5.9%
Salary scale	4/1/16 - 3/31/20	4/1/16 - 3/31/20
Decrement tables	System's Experience	System's Experience
Inflation rate	2.9%	2.9%
Cost of living adjustment	1.5%	1.5%

For ERS and PFRS, the actuarial mortality rates are based on April 1, 2016 – March 31, 2020 System's experience with adjustments for mortality improvement based on MP-2021.

For ERS and PFRS, the actuarial assumptions used in the April 1, 2023 valuation are based on the results of an actuarial experience study for the period April 1, 2016 – March 31, 2020.

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

Measurement date	ERS <u>3/31/25</u>	Expected Rate of Return	PFRS <u>3/31/25</u>	Expected Rate of Return
Asset type:				
Domestic equity	25.00%	3.54%	25.00%	3.54%
International equity	14.00%	6.57%	14.00%	6.57%
Private equity	15.00%	7.25%	15.00%	7.25%
Real estate	12.00%	4.95%	12.00%	4.95%
Opportunistic/ARS	3.00%	5.25%	3.00%	5.25%
Credit	4.00%	5.40%	4.00%	5.40%
Real assets	4.00%	5.55%	4.00%	5.55%
Fixed income	22.00%	2.00%	22.00%	2.00%
Cash and short-term	<u>1.00%</u>	0.25%	<u>1.00%</u>	0.25%
Total:	<u>100.00%</u>		<u>100.00%</u>	

e. Discount Rate

The discount rate used to calculate the total pension liability was 5.9% for ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.9% for ERS and PFRS, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9% for ERS and PFRS) or 1-percentage point higher (6.9% for ERS and PFRS) than the current rate:

	1% Decrease <u>(4.9%)</u>	Current Assumption <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
ERS			
Employer's proportionate share of the net pension (asset) liability	\$ 7,735,959	2,672,986	(1,554,599)

	1% Decrease <u>(4.9%)</u>	Current Assumption <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
PFRS			
Employer's proportionate share of the net pension (asset) liability	\$ 16,163,797	7,665,863	652,041

g. Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>PFRS</u>
Measurement date	3/31/25	3/31/25
Employer's total pension liability	\$ 247,600,239	48,718,477
Plan net position	<u>230,454,512</u>	<u>42,641,620</u>
Employer's net pension (asset) liability	\$ (17,145,727)	(6,076,857)
Ratio of plan net position to the employers' total pension liability	93.08%	87.53%

h. Payables to the Pension Plan Fiduciary

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2025 represent the projected employer contribution for the period of April 1, 2025 through May 31, 2025 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2025 for ERS and PFRS amounted to \$146,625 and \$265,731, respectively.

3. Other Post-Employment Benefits

a. General Information about the OPEB Plan

Plan Description

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

## Benefits Provided

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

## Employees Covered by Benefit Terms

At May 31, 2025, the following employees were covered by the benefit terms:

Retirees, employees, or beneficiaries	
currently receiving benefit payments	4
Active employees	<u>-</u>
Total	<u><u>4</u></u>

## b. Total OPEB Liability

The City's total OPEB liability of \$299,559 was measured as of May 31, 2025.

### Actuarial Assumptions and Other Inputs

The total OPEB liability was valued at May 31, 2025. The actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation – 3.00%

Salary Increase – N/A

Discount Rate – 4.81%

Healthcare Cost Trend Rates – 4.5% flat healthcare cost trend rate.

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

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

Mortality rates were based on the PUB-2010 mortality table with adjustment to MP-2021 projection.

c. Changes in the Total OPEB Liability

Interest	\$ 13,500
Differences between expected and actual experience	10,401
Changes in assumptions	(5,864)
Benefit payments	<u>(50,575)</u>
Net change	(32,538)
Net OPEB liability - beginning of year	<u>332,097</u>
Net OPEB liability - end of year	<u><u>\$ 299,559</u></u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% point lower (3.81%) or 1% point higher (5.81%) than the current discount rate:

	1% Decrease <u>(3.81%)</u>	Discount Rate <u>(4.81%)</u>	1% Increase <u>(5.81%)</u>
Total OPEB liability	\$ 314,875	299,559	285,563

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare trend costs that are 1% point lower (3.5%) or 1% point higher (5.5%) than the current discount rate:

	1% Decrease <u>(3.50%)</u>	Healthcare Trend Rate <u>(4.50%)</u>	1% Increase <u>(5.50%)</u>
Total OPEB liability	\$ 286,822	299,559	313,213

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

For the year ended May 31, 2025, the City recognized OPEB expense of \$18,037. There were no deferred outflows of resources or deferred inflows of resources reported at May 31, 2025.

#### 4. Short-Term Debt

##### a. Bond Anticipation Notes

Liabilities for Bond Anticipation Notes Payable (BANs) are generally accounted for in the General and Capital Projects funds. 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 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 March, 2024, the City issued bond anticipation notes in the amount of \$4,393,612. These notes mature on March 6, 2025 and carried a 4.00% interest rate. The proceeds from this short-term issuance were utilized to finance Washington Street Water System Improvements, Walkable Olean Phases 2 and 3, Firefighting Vehicle, Oak Hill Park Improvements, and Airport Runway and Taxiway Improvements.

In March, 2025, the City issued bond anticipation notes in the amount of \$7,080,330. The notes mature of March 1, 2026 and carry a 4.25% interest rate. The proceeds from this short-term issuance were utilized to finance the War Veterans Park Splash Pad project, the South Union Street Improvements Project, and the Walkable Olean Phase III Project.

The City recognized \$1,636,661 of BANs redeemed from appropriations in the Capital Project fund.

The City's bond anticipation notes outstanding as of May 31, 2025 are as follows:

Description	Amount	Interest Rate
War Veterans Park Splash Pad	\$ 1,611,381	4.25%
South Union Street Improvements	3,831,087	4.25%
Walkable Olean Phase 3	1,637,862	4.25%
Total	<u>\$ 7,080,330</u>	

##### b. Revenue Anticipation Notes

Liabilities for Revenue Anticipation Notes Payable (RANs) are generally accounted for as a current liability of the fund that will actually receive the proceeds from issuance of the notes. RANs are short-term municipal debt obligations used to resolve cash flow deficits. They are secured by anticipated collections of fines, license fees, interest income, assessments, user fees, grant funds or other non-tax revenues. The note may not extend more than one year beyond the original date of issue. There were no revenue anticipation notes issued during the fiscal year ended May 31, 2025.

c. Short-Term Debt Interest

Interest expense on short term indebtedness totaled \$156,708 for the year ended May 31, 2025. That amount was transferred from the general fund to the capital projects fund to pay interest expense on bond anticipation notes.

4. Long-Term Debt

a. Debt Limit

At May 31, 2025 the total outstanding indebtedness of the City aggregated \$35,855,130 (including bond anticipation notes and revenue anticipation notes). Of this amount, \$28,774,800 is subject to the constitutional debt limit.

b. Serial Bonds

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

c. Other Long-Term Debt

During the fiscal year ended May 31, 2002, the City recorded a long-term liability related to estimated future costs associated with a Department of Conservation's Order on Consent. This situation is more fully described in Note 4F of the financial statements.

d. Installment Purchase Debt – Leases

During the 2009-10 fiscal year, the City of Olean, New York entered into a \$1,046,586 15-year lease with Manufacturers and Traders Trust Company in concurrence with the City of Olean, New York's Energy Performance Audit. Equipment included in the lease agreement consists of lighting and lighting controls, building energy upgrades, a low emissivity ceiling, energy efficient motor replacement, a pump, VFD, and control upgrades to be used throughout various buildings. During the current fiscal year, principal and interest paid on this lease totaled approximately \$47,560, 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, 2025 of \$7,134, \$36,621, and \$3,805, respectively. The lease was paid off in full during the year ended May 31, 2025.

During the 2020-21 fiscal year, the City of Olean, New York entered into two 5-year leases with Key Government Finance which totaled \$321,875. Equipment included in the lease agreement consisted of an International dump truck and Altec bucket truck. During the current fiscal year, principal and interest paid on this lease totaled approximately \$68,941, 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, 2025 of \$48,315, \$10,313, and \$10,313, respectively. The remaining balance of this lease was \$67,196 as of May 31, 2025.

e. Summary Long-Term Debt

The following is a summary of bonds outstanding, excluding unamortized premiums, as of May 31, 2025:

<u>General fund</u>	<u>Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Oustanding at May 31, 2025</u>
Public improvement bond	06/17	\$ 4,984,000	Various	06/34	\$ 2,345,000
Public improvement bond	06/19	3,085,000	Various	06/32	1,950,000
Public improvement bond	06/20	250,000	4%	07/33	180,000
Public improvement bond	3/25	705,000	Various	3/42	705,000
Special revenue funds					
Water filtration plant - ref.	10/12	2,060,000	Various	10/32	975,000
Water filtration plant	05/13	5,868,000	Various	08/38	3,235,000
Water public imp. bond refunded	11/21	1,873,200	Various	08/32	1,448,400
Water public imp.	3/25	1,175,000	Various	3/42	1,175,000
Sewer fund - public imp.	08/12	1,731,059	Various	08/33	720,000
Sewer fund - SRF	09/17	3,250,000	Various	08/47	2,510,000
Sewer fund - SRF	09/17	15,174,840	0%	08/47	11,129,800
Sewer public imp. bond refunded	11/21	3,096,800	Various	08/32	<u>2,401,600</u>
					<u>\$ 28,774,800</u>

f. Changes

The following is a summary of changes in long-term liabilities for the period ended May 31, 2025:

	Balance at <u>6/1/24</u>	Additions	Reductions	Balance at <u>5/31/25</u>
Bonds	\$ 24,390,700	1,880,000	1,705,900	24,564,800
Unamortized bond premium	701,102	-	55,032	646,070
EFC grid note/bond	1,080,000	-	105,000	975,000
EFC grid bond	300,000	-	300,000	-
RD bond	<u>3,415,000</u>	<u>-</u>	<u>180,000</u>	<u>3,235,000</u>
Subtotal	29,886,802	1,880,000	2,345,932	29,420,870
Compensated absences	168,592	179,972	-	348,564
Net pension liabilities	8,445,779	1,893,070	-	10,338,849
Other post-employment benefits	332,097	23,902	56,439	299,560
Lease liability	<u>180,257</u>	<u>-</u>	<u>113,060</u>	<u>67,197</u>
	<u>9,126,725</u>	<u>2,096,944</u>	<u>169,499</u>	<u>11,054,170</u>
	<u>\$ 39,013,527</u>	<u>3,976,944</u>	<u>2,515,431</u>	<u>40,475,040</u>

g. Long-Term Debt Interest

Interest expense on long term indebtedness totaled \$459,400 for the year ended May 31, 2025, all of which was recorded in the debt service fund and consisted of \$455,958 of interest on bonds and notes and \$3,442 on leases.

h. Maturity

The following table summarizes the City's future serial bond debt, Rural Development and EFC bond and debt service requirements as of May 31, 2025:

Year ending			
May 31	Total	Principal	Interest
2026	\$ 2,728,542	2,250,900	477,642
2027	2,737,553	2,305,900	431,653
2028	2,663,165	2,280,900	382,265
2029	2,672,286	2,340,900	331,386
2030	2,642,854	2,365,900	276,954
2031-2035	8,763,756	7,999,500	764,256
2036-2040	4,881,761	4,584,500	297,261
2041-2045	3,439,519	3,359,500	80,019
2046-2048	1,295,050	1,286,800	8,250
Total	<u>\$ 31,824,486</u>	<u>28,774,800</u>	<u>3,049,686</u>

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

Year ending			
May 31	Total	Principal	Interest
2026	\$ 69,896	67,197	2,699
	<u>\$ 69,896</u>	<u>67,197</u>	<u>2,699</u>

#### c. Interfund Receivables, Payables and Transactions

Interfund receivables and payables at May 31, 2025 and interfund transactions during the fiscal year ended May 31, 2025 were as follows:

	Interfund/ Advances Receivable	Interfund/ Advances Payable	Interfund Transfers In	Interfund Transfers Out
General fund	\$ 823,583	171,111	152,592	1,110,095
Water fund	199,546	611,516	-	1,310,813
Sewer fund	184,479	260,754	-	1,722,457
Debt service fund	1,183,386	1,564,745	1,249,836	-
Capital projects fund	276,895	-	2,900,416	154,784
Special misc. revenue fund	-	59,763	-	-
First time homebuyers fund	-	-	-	4,695
Total	<u>\$ 2,667,889</u>	<u>2,667,889</u>	<u>4,302,844</u>	<u>4,302,844</u>

#### d. Deferred Compensation Plan

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

and local governments.

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

#### NOTE 4 – COMMITMENTS AND CONTINGENCIES

**A. Risk Financing and Related Insurance**

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

**B. Compensated Absences**

The City does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 101, the value for accumulating, non-vesting sick leave is considered a contingent liability.

**C. Federal and State Audits**

The City has received grants reported in the general and capital project funds, which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the City believes disallowances, if any, will not be material.

**D. Litigation and Pending or Threatened Litigation**

The City of Olean provides treatment of sewer waste to a neighboring municipality through an agreement dated September 19, 1980. At the beginning of each fiscal year, the City of Olean provides an estimated billing for the upcoming fiscal year to the municipality based on budgeted expenditures. Subsequent to the year, the estimated billing is compared with actual expenditures and an additional charge or credit is applied to the follow year's estimated billing. In October 2020, the City received communication from the municipality disputing certain expenses utilized in the calculation of the estimated billing for the fiscal year ended May 31, 2021, along with disputing similar expenses included in billings for the fiscal years ended May 31, 2018 through 2020, which were previously paid by the municipality. The municipality continues to dispute certain expenses through the year ended May 31, 2025. As a result of the dispute, the municipality has withheld approximately \$5.5 million from its payment through May 31, 2025.

On February 14, 2022, City of Olean served the municipality a notice of claim demanding payment, along with reimbursement of damages, related costs and expenses, and appropriate interest. The City of Olean intends to vigorously pursue payment.

On December 7, 2023, the municipality, along with two other parties who receive sewer treatment through the municipality and in turn the City, filed an Article 78 Proceeding and Declaratory Judgment Action disputing sewer charges outstanding as of May 2025, along with those billed subsequent to June 1, 2025.

Because the amount outstanding as of May 31, 2025 is disputed, unpaid and unavailable, it has not been recognized as an asset (receivable) in the Statements of Financial Position and Balance Sheets and has not been recognized as revenue in the Statement of Activities or Statements of Revenue, Expenditures and Changes in Fund Equity for the year ended May 31, 2025. In the May 31, 2024 year the City recorded \$1.6 million as a receivable in the General Fund.

The City may be a party to various claims, legal and tax proceedings covering a wide range of matters that arise in the course of the City's business. Management is of the opinion that any unfavorable outcoming resulting from these actions would not have a material effect on the City's financial position.

#### 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 contracts expired on May 31, 2025. These two contracts were renegotiated and executed for a one-year period subsequent to year-end. The Olean Professional Fire Fighters Association's contract will expire on May 31, 2026.

#### 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, 2025, for the estimated costs associated with this Order. It is not known at this time whether other remediation costs will be necessary.

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

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

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

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

Costs to be incurred in Element 2 are capital in nature and the City anticipates issuing future debt or receiving grants to finance such projects.

The City anticipates budgeting \$250,000 annually through 2044, for costs associated with Element 4 related to on-going investigation and maintenance. In the current year the City incurred costs in the amount of \$254,800.

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

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

**F. Olean Area Transit System (“OATS”)**

The City of Olean no longer sponsors or administers the operations of the Olean Area Transit System (“OATS”). It ceased its role in this capacity effective December 31, 2024. The City now participates in the system as a paying partner with a flat rate share and annual contribution of \$30,000 based on a January through December schedule as outlined in the fully executed OATS partnership agreement. Allegany County sponsors the OATS and Ardent Solutions acts as the mobility manager for the program. Operations of the system with this new sponsorship structure began on January 1, 2025. In addition to the City of Olean, the paying partners in the OATS include Cattaraugus County, the Seneca Nation of Indians, the City of Salamanca, St. Bonaventure University, and Intandem.

Cattaraugus County provided the City with short-term financing to cover the costs associated with the operation of the OATS until all the Federal Section 5311 funds were received from the New York Department of Transportation prior to the disposition of the system. The City repaid these funds in the amount of \$240,000 to Cattaraugus County on September 30, 2025.

On September 2, 2025, the City provided Allegany County with the OATS Reserve as outlined with all backup documentation showing the entire history and balance of contributions in the amount of approximately \$330 thousand.

NOTE 5 – TAX ABATEMENTS

The Cattaraugus County Industrial Development Agency entered into a property tax abatement program (Payment in Lieu of Taxes – PILOT) with various corporations in the City of Olean’s tax jurisdiction for the purpose of economic development. The terms and amounts of tax abated in the current year are presented below:

<u>Corporation</u>	<u>Term</u>	Tax abated during the year ended	
		<u>May 31, 2025</u>	
Corporation A	2011-2026	\$	14,619
Corporation B	2011-2026		3,054
Corporation C	2012-2027		5,086
Corporation D	2012-2027		65,025
Corporation E	2014-2029		3,024
Corporation F	2016-2031		1,671
Corporation G	2016-2031		2,924
Corporation H	2017-2032		19,215
Corporation I	2018-2033		2,974
Corporation J	2019-2034		595
Corporation K	2020-2035		3,860
Corporation L	2019-2034		62,158
Corporation M	2022-2023		8,772
Corporation N	2021-2031		1,253
Corporation O	2021-2031		21,388
Corporation P	2023-2039		<u>101,531</u>
		\$	<u>317,149</u>

NOTE 6 – FUND BALANCE

1. Classification

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

<u>Category/Fund</u>	<u>Description</u>	<u>Balance at May 31, 2025</u>
Restricted:		
Capital	Reserve for capital	<u>\$ 4,359,181</u>
Total restricted fund balance		<u>\$ 4,359,181</u>
Assigned:		
General	Reserve for encumbrances	\$ 60,626
Water	Reserve for encumbrances	1,246
	Special revenue fund balance	<u>943,888</u>
		945,134
Sewer	Reserve for encumbrances	6,453
	Special revenue fund balance	<u>3,280,505</u>
		3,286,958
First Time Homebuyers	Special revenue fund balance	534
Housing Rehab	Special revenue fund balance	8,406
Revolving Loan	Special revenue fund balance	313,842
Misc. Special Revenue	Special revenue fund balance	<u>117,006</u>
Total Assigned Fund Balance		<u>\$ 4,732,506</u>

Accumulated Deficits

The City of Olean, New York had certain projects that have been established within the current and prior years. These projects incurred expenses related to the initial phases of the projects. The City anticipates revenue from bond proceeds, federal, state, and local sources to cover these expenses.

<u>Capital Project</u>	<u>May 31, 2025</u>
Vehicle Replacement	\$ 917,999
South Union Street Getaway	377,503
Splash Park at War Vet	525,967
Lauren Street Project	125,748
Wayne Street Shared Use Path	<u>67,247</u>
Total	<u>\$ 2,014,464</u>

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

#### NOTE 7 – SOLAR FARM REVENUE AND EXPENDITURES

The City installed a solar farm in 2019 with the intention of reducing electricity costs by generating credits which offset electricity expenses. The City engages an outside firm, BQ Energy, to manage this solar farm. Total payments made to BQ Energy during the year ended May 31, 2025 were \$427,577. Total credits generated by this solar farm were \$873,293. The net amount of these credits are reported as revenue on the Statement of Revenues, Expenditures, and Changes in Fund Equity. At May 31, 2025, the City had a prepaid asset recorded for unused energy credit of \$140,016.

#### NOTE 8 – SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of this report which is the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Olean  
Schedule of Changes in the City's  
Net OPEB Liability and Related Ratios  
For the Years Ended May 31, 2018 through 2025**

As of the measurement date of May 31,

	2025	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>								
Service Cost	\$ -	-	-	-	-	-	-	-
Interest	13,500	13,204	13,982	17,472	19,952	19,952	27,268	27,268
Differences between expected and actual experience	10,401	42,816	(20,797)	(215,192)	-	(24,747)	-	50,670
Changes in assumptions	(5,864)	(10,151)	(11,236)	(34,203)	-	3,194	-	-
Benefit payments	(50,575)	(50,390)	(46,436)	(62,642)	(70,995)	(70,878)	(80,438)	(78,942)
Net change in total OPEB liability	(32,538)	(4,521)	(64,487)	(294,566)	(51,043)	(72,479)	(53,170)	(1,004)
Total OPEB liability - beginning	332,097	336,618	401,105	695,670	746,713	819,192	872,362	21,855
Prior period adjustment	-	-	-	-	-	-	-	851,511
Total OPEB liability - ending	<u>299,559</u>	<u>332,097</u>	<u>336,618</u>	<u>401,105</u>	<u>695,670</u>	<u>746,713</u>	<u>819,192</u>	<u>872,362</u>

**Plan fiduciary net position**

Contributions - employer	50,575	50,390	46,436	62,642	70,995	70,878	80,438	78,942
Net investment income	-	-	-	-	-	-	-	-
Benefit payments	(50,575)	(50,390)	(46,436)	(62,642)	(70,995)	(70,878)	(80,438)	(78,942)
Net change in plan fiduciary net position	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-	-	-	-	-

**District's net OPEB liability**

District's net OPEB liability	<u>299,559</u>	<u>332,097</u>	<u>336,618</u>	<u>401,105</u>	<u>695,670</u>	<u>746,713</u>	<u>819,192</u>	<u>872,362</u>
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Plan fiduciary net position as a percentage of total OPEB liability

**Covered-employee payroll**

Covered-employee payroll	-	-	-	-	-	-	-	-
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District's net OPEB liability as a percentage of covered-employee payroll

District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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Notes to Schedule:

Benefit Changes: None

Changes in assumptions: District Rate of 4.81% as of May 31, 2025, 4.40% as of May 31, 2024, 4.24% as of May 31, 2023, and 3.70% as of May 31, 2022.

See accompanying independent auditor's report on supplementary information.

**City of Olean  
Schedule of City Contributions - OPEB  
For the Years Ended May 31, 2018 through 2025**

Schedule 2

For the year ended May 31,	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contributions	\$ 50,575	50,390	46,436	62,642	70,995	70,878	80,438	78,942
Contribution in relation to the actuarially determined contribution	(50,575)	(50,390)	(46,436)	(62,642)	(70,995)	(70,878)	(80,438)	(78,942)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ -	-	-	-	-	-	-	-
Contributions as a percentage of District's covered-employee payroll	NA	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: May 31, 2024  
Measurement date: May 31, 2025

Methods and assumptions used to determine contributions rate:

Actuarial cost method: Entry Age Normal Level % of Salary Method  
Discount Rate: 4.81% as of May 31, 2025, 4.40% as of May 31, 2024 and 4.24% as of May 31, 2023  
Inflation: 3.00% per year  
Healthcare cost trend rates: 4.5% Flat  
Salary increases: N/A-not active employees  
Mortality: RP-2010 Total Dataset Mortality Table fully generational using Scale MP-2021  
Retiree Cost Sharing: For previously retired members the City contributes most (85%-100%) or the medical premium amounts for individuals and family (dependent) coverage for all eligible retirees, with the exception of one individual, for whom the City contributes 50%.  
Participants: 4 Retirees

Benefit Changes: None

Changes in assumptions: Discount Rate of 4.81% as of May 31, 2025, 4.40% as of May 31, 2024, 4.24% as of May 31, 2023, and 3.70% as of May, 2022.

See accompanying independent auditor's report on supplementary information.

**City of Olean**  
**Schedule of City's Proportionate Share of the**  
**Net Pension Liability - NYSLEERS & NYSLPFRS**  
**For the Years Ended May 31, 2016 through May 31, 2025**

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
As of the measurement date of March 31,										
City's proportion of the net pension liability	0.0155898%	0.0156017%	0.0168639%	0.0169107%	0.0164279%	0.0166150%	0.0164658%	0.0170202%	0.0165225%	0.0173084%
City's proportionate share of the net pension liability (asset)	\$ 2,672,986	2,297,209	3,616,305	(1,382,383)	16,358	4,399,748	1,166,651	549,318	1,552,496	2,778,045
City's covered-employee payroll	\$ 5,348,687	5,193,480	4,744,600	4,492,910	4,318,943	4,280,744	4,171,757	4,222,688	4,109,534	4,188,273
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.97%	44.23%	76.22%	-30.77%	0.38%	102.78%	27.97%	13.01%	37.78%	66.33%
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
As of the measurement date of March 31,										
City's proportion of the net pension liability	0.1261484%	0.1296394%	0.1201182%	0.1083926%	0.1017466%	0.1113430%	0.1197868%	0.1216349%	0.1259500%	0.1201234%
City's proportionate share of the net pension liability (asset)	\$ 7,665,863	6,148,570	6,619,077	615,718	1,766,602	5,951,237	2,008,901	1,229,433	2,610,506	3,566,599
City's covered-employee payroll	\$ 5,897,857	5,562,033	5,003,168	4,834,770	4,750,905	4,647,289	4,683,575	4,602,358	4,758,588	4,394,298
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.98%	110.55%	132.30%	12.74%	37.18%	128.06%	42.89%	26.71%	54.86%	80.94%
Plan fiduciary net position as a percentage of the total pension liability	87.53%	89.72%	87.43%	98.66%	95.79%	84.86%	95.09%	96.93%	93.50%	90.20%

N/A - information is not available

See accompanying independent auditor's report on supplementary information.

**City of Olean**  
**Schedule of City's Contributions**  
**- NYSLPFRS & NYSLEPFRS**  
**For the Years Ended May 31, 2016 through May 31, 2025**

**New York State Employees' Retirement System**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
For the year ended March 31,										
Contractually required contributions	\$ 747,987	747,987	516,257	672,766	583,740	569,100	568,438	592,035	598,107	752,381
Contributions in relation to the contractually required contribution	(747,987)	(747,987)	(516,257)	(672,766)	(583,740)	(569,100)	(568,438)	(592,035)	(598,107)	(752,381)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 5,348,687	5,193,480	4,744,600	4,492,910	4,318,943	4,280,744	4,171,757	4,222,688	4,109,534	4,188,273
Contributions as a percentage of City's covered-employee payroll	13.98%	14.40%	10.88%	14.97%	13.52%	13.29%	13.63%	14.02%	14.55%	17.96%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
For the year ended March 31,										
Contractually required contributions	\$ 1,594,385	1,765,581	1,297,417	1,335,978	1,110,370	1,042,419	1,046,909	1,069,888	1,100,545	969,106
Contributions in relation to the contractually required contribution	(1,594,385)	(1,765,581)	(1,297,417)	(1,335,978)	(1,110,370)	(1,042,419)	(1,046,909)	(1,069,888)	(1,100,545)	(969,106)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 5,897,857	5,562,033	5,003,168	4,834,770	4,750,905	4,647,289	4,683,575	4,602,358	4,758,588	4,394,298
Contributions as a percentage of City's covered-employee payroll	27.03%	31.74%	25.93%	27.63%	23.37%	22.43%	22.35%	23.25%	23.13%	22.05%

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

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2025**

	Adopted Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Real property taxes	\$ 8,054,927	8,054,927	7,940,056	-	(114,871)
Real property tax items	143,403	143,403	130,428	-	(12,975)
Non-property tax items	6,403,693	6,403,693	5,805,065	-	(598,628)
Departmental income	1,788,900	1,788,900	1,659,809	-	(129,091)
Intergovernmental charges	308,141	308,141	366,532	-	58,391
Use of money and property	102,000	102,000	82,964	-	(19,036)
Licenses and permits	186,000	186,000	168,029	-	(17,971)
Fines and forfeitures	42,000	42,000	10,156	-	(31,844)
Sales of property and compensation for loss	39,135	39,135	68,239	-	29,104
Miscellaneous local sources	-	-	499,978	-	499,978
State aid	3,422,223	3,422,223	2,828,171	-	(594,052)
Federal Aid	-	-	136,518	-	136,518
<b>Total revenue</b>	<b>20,490,422</b>	<b>20,490,422</b>	<b>19,695,945</b>	<b>-</b>	<b>(794,477)</b>
<b>Expenditures</b>					
General governmental support	2,867,406	2,867,406	2,607,198	198	260,010
Public safety	7,651,048	7,651,048	7,258,187	15,428	377,433
Health	87,575	87,575	91,453	-	(3,878)
Transportation	2,336,419	2,336,419	2,002,783	45,000	288,636
Economic development	2,200	2,200	2,200	-	-
Culture and recreation	1,237,295	1,237,295	1,101,029	-	136,266
Home and community services	201,812	201,812	192,577	-	9,235
Employee benefits	5,024,270	5,024,270	5,203,666	-	(179,396)
Debt service	-	-	4,986	-	(4,986)
<b>Total expenditures</b>	<b>19,408,025</b>	<b>19,408,025</b>	<b>18,464,079</b>	<b>60,626</b>	<b>883,320</b>
Excess (deficiency) of revenue over expenditures	1,082,397	1,082,397	1,231,866	(60,626)	(1,677,797)
<b>Other financing sources (uses)</b>					
BANs redeemed from appropriations	-	-	25,000	-	25,000
Bond Proceeds	-	-	100,000	-	100,000
Operating transfers in	-	-	152,592	-	152,592
Operating transfers out	(1,082,397)	(1,082,397)	(1,110,095)	-	(27,698)
<b>Total other financing sources (uses)</b>	<b>(1,082,397)</b>	<b>(1,082,397)</b>	<b>(832,503)</b>	<b>-</b>	<b>249,894</b>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>-</u>	<u>399,363</u>	<u>(60,626)</u>	<u>(1,427,903)</u>

The accompanying independent auditors' report should be read in conjunction with these statements.

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - WATER FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2025**

	Adopted Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Departmental income	\$ 4,273,236	4,273,236	4,260,869	-	(12,367)
Use of money and property	1,000	1,000	11,316	-	10,316
Miscellaneous	-	-	87,329	-	87,329
<b>Total revenue</b>	<b>4,274,236</b>	<b>4,274,236</b>	<b>4,359,514</b>	<b>-</b>	<b>85,278</b>
<b>Expenditures</b>					
General governmental support	155,000	155,000	97,448	-	57,552
Home and community services	2,344,134	2,344,134	1,758,319	1,246	584,569
Employee benefits	630,866	630,866	632,844	-	(1,978)
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<b>3,130,000</b>	<b>3,130,000</b>	<b>2,488,611</b>	<b>1,246</b>	<b>640,143</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>1,144,236</b>	<b>1,144,236</b>	<b>1,870,903</b>	<b>(1,246)</b>	<b>(554,865)</b>
<b>Other financing sources (uses)</b>					
BANs redeemed from appropriations	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	(1,144,236)	(1,144,236)	(1,310,813)	-	(166,577)
<b>Total other financing sources (uses)</b>	<b>(1,144,236)</b>	<b>(1,144,236)</b>	<b>(1,310,813)</b>	<b>-</b>	<b>(166,577)</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>-</b>	<b>560,090</b>	<b>(1,246)</b>	<b>(721,442)</b>

The accompanying independent auditors' report should be read in conjunction with these statements.

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - SEWER FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2025**

	Adopted Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Departmental income	\$ 4,070,364	4,070,364	3,842,692	-	(227,672)
Intergovernmental charges	429,000	429,000	682,437	-	253,437
Use of money and property	-	-	58,455	-	58,455
State aid	1,000	1,000	-	-	(1,000)
Miscellaneous	-	-	288,187	-	288,187
<b>Total revenue</b>	<b>4,500,364</b>	<b>4,500,364</b>	<b>4,871,771</b>	<b>-</b>	<b>371,407</b>
<b>Expenditures</b>					
General governmental support	150,000	150,000	120,338	-	29,662
Home and community services	2,487,168	2,487,168	2,112,808	6,453	367,907
Employee benefits	621,866	621,866	722,480	-	(100,614)
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<b>3,259,034</b>	<b>3,259,034</b>	<b>2,955,626</b>	<b>6,453</b>	<b>296,955</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>1,241,330</b>	<b>1,241,330</b>	<b>1,916,145</b>	<b>(6,453)</b>	<b>74,452</b>
<b>Other financing sources (uses)</b>					
BANs redeemed from appropriations	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	(1,241,330)	(1,241,330)	(1,722,457)	-	(481,127)
<b>Total other financing sources (uses)</b>	<b>(1,241,330)</b>	<b>(1,241,330)</b>	<b>(1,722,457)</b>	<b>-</b>	<b>(481,127)</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>-</b>	<b>193,688</b>	<b>(6,453)</b>	<b>(406,675)</b>

The accompanying independent auditors' report should be read in conjunction with these statements.

**CITY OF OLEAN, NEW YORK**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2025**

	Adopted Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Use of money and property	\$ -	-	112	-	112
Miscellaneous	-	-	18,106	-	18,106
State aid	-	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>18,218</b>	<b>-</b>	<b>18,218</b>
<b>Expenditures</b>					
General governmental support	87,197	87,197	16,667	-	70,530
Debt service:	3,380,766	3,380,766	2,862,936	-	517,830
<b>Total expenditures</b>	<b>3,467,963</b>	<b>3,467,963</b>	<b>2,879,603</b>	<b>-</b>	<b>588,360</b>
Excess (deficiency) of revenue over expenditures	(3,467,963)	(3,467,963)	(2,861,385)	-	(570,142)
<b>Other financing sources (uses)</b>					
BANs redeemed from appropriations	-	-	1,611,661	-	1,611,661
Operating transfers in	3,467,963	3,467,963	1,249,836	-	(2,218,127)
Operating transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,467,963</b>	<b>3,467,963</b>	<b>2,861,497</b>	<b>-</b>	<b>(606,466)</b>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	\$ -	-	112	-	(1,176,608)

The accompanying independent auditors' report should be read in conjunction with these statements.

## **SUPPLEMENTARY INFORMATION**

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**City of Olean**  
**Combining Balance Sheets**  
**Special Revenue Funds**  
**As of May 31, 2025**

	Misc. Special Revenue Fund	Revolving Loan Fund	Housing Rehabilitation Fund	First-Time Homebuyers Fund	Total
<b>Assets</b>					
Cash on deposit	\$ 176,769	313,842	8,406	740	499,757
Receivables					
Revolving loans receivables	-	22,738	-	-	22,738
First-time homebuyers loans receivable	-	-	-	2,799	2,799
Rehabilitation loans receivables	-	-	229	-	229
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>176,769</b>	<b>336,580</b>	<b>8,635</b>	<b>3,539</b>	<b>525,523</b>
<b>Liabilities</b>					
Due to other funds	59,763	-	-	-	59,763
Unearned revenue	-	22,738	229	3,005	25,972
<b>Total liabilities</b>	<b>59,763</b>	<b>22,738</b>	<b>229</b>	<b>3,005</b>	<b>85,735</b>
<b>Fund equity</b>					
Assigned	117,006	313,842	8,406	534	439,788
<b>Total fund equity</b>	<b>117,006</b>	<b>313,842</b>	<b>8,406</b>	<b>534</b>	<b>439,788</b>
<b>Total liabilities and fund equity</b>	<b>\$ 176,769</b>	<b>336,580</b>	<b>8,635</b>	<b>3,539</b>	<b>525,523</b>

The accompanying independent auditors' report should be read in conjunction with these statements.

**City of Olean**  
**Combining Statements of Revenue, Expenditures, and**  
**Changes in Fund Balances**  
**Special Revenue Funds**  
**For the Year Ended of May 31, 2025**

	Misc. Special Revenue Fund	Revolving Loan Fund	Housing Rehabilitation Fund	First-Time Homebuyers Fund	Total
Revenue					
Departmental income	\$ 66,938	22,121	-	4,702	93,761
Use of money and property	-	152	1	-	153
Total revenue	<u>66,938</u>	<u>22,273</u>	<u>1</u>	<u>4,702</u>	<u>93,914</u>
Expenditures					
General government support	54,405	-	-	61	54,466
Home and community services	-	7,118	-	60	7,178
Total expenditures	<u>54,405</u>	<u>7,118</u>	<u>-</u>	<u>121</u>	<u>61,644</u>
Excess (deficiency) of revenue over expenditures	12,533	15,155	1	4,581	32,270
Other financing uses					
Operating transfers out	-	-	-	(4,695)	(4,695)
Total financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,695)</u>	<u>(4,695)</u>
Excess (deficiency) of revenue over expenditures and other financing users	12,533	15,155	1	(114)	27,575
Fund equity - beginning of year	<u>104,473</u>	<u>298,687</u>	<u>8,405</u>	<u>648</u>	<u>412,213</u>
Fund equity - end of year	<u>\$ 117,006</u>	<u>313,842</u>	<u>8,406</u>	<u>534</u>	<u>439,788</u>

The accompanying independent auditors' report should be read in conjunction with these statements.

**City of Olean  
Balance Sheet by Project - Capital Fund  
As of May 31, 2025**

Project Number	Description	Cash	Due from Federal & State	Due from/(to) Other Funds	Total Assets	Accounts Payable & Unearned Revenue	BANs	Fund (Equity) Deficit	Total Liabilities & Fund Equity
29	CHIPS	\$ (9,664)	10,128	-	464	-	-	(464)	(464)
101	Alarm	-	-	-	-	-	-	-	-
102	Vehicle Replacement	10,767	-	(928,766)	(917,999)	-	-	917,999	917,999
103	Police Equipment Replacement	44,871	-	-	44,871	-	-	(44,871)	(44,871)
118	Ambulance Reserve	103,537	-	-	103,537	-	-	(103,537)	(103,537)
119	OATS Bus Reserve	330,054	-	-	330,054	-	-	(330,054)	(330,054)
123	Catch Basin Disconnect Project	-	-	-	-	-	-	-	-
132	Parking Lot maintenance Program	38,328	-	-	38,328	-	-	(38,328)	(38,328)
146	Airport Master plan	(128,508)	-	437,928	309,420	-	-	(309,420)	(309,420)
150	Sidewalk Improvement Reserve	30,283	43,117	-	73,400	-	-	(73,400)	(73,400)
161	Other Miscellaneous Reserves	-	-	-	-	-	-	-	-
163	Waste Water Treatment Plant Master Plan	-	-	-	-	-	-	-	-
165	Bradner Stadium Project	130,763	-	-	130,763	-	-	(130,763)	(130,763)
167	North Union Street Rehabilitation	-	29,085	-	29,085	-	-	(29,085)	(29,085)
170	Property Revaluation	-	-	-	-	-	-	-	-
171	York St./Prospect Ave.	-	-	-	-	-	-	-	-
173	Ice Resurfacers	-	-	-	-	-	-	-	-
175	Recreation Center	-	-	-	-	-	-	-	-
178	Third Street Project	-	-	-	-	-	-	-	-
179	Bradner Stadium Roof	-	-	-	-	-	-	-	-
180	IT Upgrade	92	-	-	92	-	-	(92)	(92)
181	Zombie Grant	35,401	-	-	35,401	-	-	(35,401)	(35,401)
185	Tree Pruning and Removal	4,464	9,879	-	14,343	-	-	(14,343)	(14,343)
186	OATS Bus Reserve 2	240,003	(3)	-	240,000	(240,000)	-	-	(240,000)
187	Playground Reserve	12,504	-	-	12,504	-	-	(12,504)	(12,504)
188	Walkable Olean Phase 2	300,410	-	-	300,410	-	-	(300,410)	(300,410)
189	Farmers Market	-	-	-	-	-	-	-	-
190	Stardust Pump Station	-	-	-	-	-	-	-	-
191	Tree Program	-	-	-	-	-	-	-	-
192	TNBR Cat Program	5,000	-	-	5,000	-	-	(5,000)	(5,000)
193	Washington Street	137,917	-	-	137,917	-	-	(137,917)	(137,917)
194	Pedestrian Safety Action Plan (PSAP)	-	-	-	-	-	-	-	-
195	Walkable Olean Phase 3	1,814,184	-	-	1,814,184	-	(1,637,862)	(176,322)	(1,814,184)
197	HVAC Control System	-	-	-	-	-	-	-	-
198	Time Square Building Repair	14,711	-	-	14,711	-	-	(14,711)	(14,711)
199	North 9th Drainage Project	-	-	-	-	-	-	-	-
200	Reserve for Cyber Attacks	-	-	-	-	-	-	-	-
201	North Union Streetscape	86,770	2	37,171	123,943	-	-	(123,943)	(123,943)
203	Franchot Park Entrance	50,000	-	-	50,000	-	-	(50,000)	(50,000)
204	Inclusive Playground Equipment	46,542	-	-	46,542	-	-	(46,542)	(46,542)
205	Fire Station Generator	-	-	-	-	-	-	-	-
206	Re-Striping City Streets	-	-	-	-	-	-	-	-
208	South Union Street Getaway	3,188,284	265,300	-	3,453,584	-	(3,831,087)	377,503	(3,453,584)
209	Fire Station HVAC	20,892	-	-	20,892	-	-	(20,892)	(20,892)
212	Hydraulic Mapping	-	-	-	-	-	-	-	-
213	Stimulus Fund	64,765	0	-	64,765	(64,765)	-	-	(64,765)
214	Fire Department Pumper/DPW	-	-	580,000	580,000	-	-	(580,000)	(580,000)
215	Comprehensive Development Plan	(54,000)	54,000	-	-	-	-	-	-
216	Splash Park at War Vet	1,085,414	-	-	1,085,414	-	(1,611,381)	525,967	(1,085,414)
217	BBG Marketing	-	-	-	-	-	-	-	-
218	BBG Real Estate Assistance	-	-	-	-	-	-	-	-
219	Oak Hill Park/Dog Park	134,508	-	150,000	284,508	-	-	(284,508)	(284,508)
220	Fire Station Repairs	-	-	-	-	-	-	-	-
221	Buffalo Street Underpass	377,409	-	-	377,409	-	-	(377,409)	(377,409)
224	Forness Park Project	-	-	-	-	-	-	-	-
225	Lauren Street Project	(125,748)	-	-	(125,748)	-	-	125,748	125,748
226	Homeowner Sidewalk Rebate Program	34,136	-	-	34,136	-	-	(34,136)	(34,136)
227	IWORQ Enforcement Software	1,375	-	-	1,375	-	-	(1,375)	(1,375)
228	Fire Station One Parapet	-	-	-	-	-	-	-	-
229	Well Refurbishment	45,250	-	-	45,250	-	-	(45,250)	(45,250)
230	Levee Reaccreditation	160,651	-	-	160,651	-	-	(160,651)	(160,651)
231	John J. Ash Center - HVAC	-	-	-	-	-	-	-	-
232	North Olean Sewer Reconstruction	-	-	-	-	-	-	-	-
233	Charter Review Commission	24,374	-	-	24,374	-	-	(24,374)	(24,374)

**City of Olean**  
**Balance Sheet by Project - Capital Fund**  
**As of May 31, 2025**

Project Number	Description	Cash	Due from Federal & State	Due from/(to) Other Funds	Total Assets	Accounts Payable & Unearned Revenue	BANs	Fund (Equity) Deficit	Total Liabilities & Fund Equity
234	Bartlett House Roof/Wall	44,360	-	-	44,360	-	-	(44,360)	(44,360)
235	Ash Tree Removal	48,736	-	-	48,736	-	-	(48,736)	(48,736)
236	Communication Upgrades	-	-	-	-	-	-	-	-
237	Gargoyle Fire Training Facility	32,424	-	-	32,424	-	-	(32,424)	(32,424)
238	Central Fire Repairs	48,240	-	-	48,240	-	-	(48,240)	(48,240)
239	Fire Station 1 Repairs	12,044	-	-	12,044	-	-	(12,044)	(12,044)
240	Code of Ordinances Updates	1,210	-	-	1,210	-	-	(1,210)	(1,210)
241	Wayne Street Shared Use Path	(67,247)	-	-	(67,247)	-	-	67,247	67,247
242	Sewer Line Repair/Replacement	152,957	-	-	152,957	-	-	(152,957)	(152,957)
243	Water Line Repair/Replacement	300,000	-	-	300,000	-	-	(300,000)	(300,000)
244	Demolition of Unsafe Buildings	36,000	-	-	36,000	-	-	(36,000)	(36,000)
245	Local Records Management Grant	32,879	-	-	32,879	(32,879)	-	-	(32,879)
246	War Vets Park Pool	(29,700)	29,700	-	-	-	-	-	-
247	Zoning Code Update	-	-	-	-	-	-	-	-
248	RAISE West State Street	-	-	-	-	-	-	-	-
249	Sewer Study	50,000	-	-	50,000	-	-	(50,000)	(50,000)
250	Vacant Property Legislation	2,500	-	-	2,500	-	-	(2,500)	(2,500)
251	Water Reservoir Cleaning/Inspection	76,714	-	-	76,714	(76,714)	-	-	(76,714)
252	Bed Tax Fund	-	-	-	-	-	-	-	-
253	Oak Street Drainage	1,600	-	-	1,600	-	-	(1,600)	(1,600)
	Unreconciled difference	122,847	-	562	123,409	-	-	(123,408)	(123,408)
<b>Totals</b>		<u>\$ 9,121,302</u>	<u>441,208</u>	<u>276,895</u>	<u>9,839,406</u>	<u>(414,358)</u>	<u>(7,080,330)</u>	<u>(2,344,717)</u>	<u>(9,839,405)</u>

The accompanying independent auditors' report should be read in conjunction with these statements.

**City of Olean**  
**Schedule of Revenues, Expenditures, and Transfers By Project - Capital Fund**  
**For the Fiscal Years Ended May 31, 2025**

Project Number	Description	Bonds			Transfers		Expenditures
		Revenue	Proceeds	Transfers in	out		
029	CHIPS	\$ (2,077,205)	-	-	-	2,086,019	
101	Alarm	-	-	-	-	-	
102	Vehicle Replacement	(25,634)	-	(3,600)	-	40,810	
103	Police Equipment Replacement Reserve	-	-	(3,505)	-	-	
118	Ambulance Reserve	(133,286)	-	-	-	214,706	
119	OATS Bus Reserve 2	-	-	-	35,592	-	
	Catch Basin Disconnect *	-	-	-	-	-	
132	Parking Lots Maintenance Reserve	(6,975)	-	-	-	-	
146	Airport Master Plan	(221,770)	-	(7,928)	-	194,252	
150	Sidewalk Improvement Reserve	(3,942)	-	-	-	-	
161	Miscellaneous Reserves	-	-	-	-	-	
163	Waste Water Treatment Plant Master Plan	-	-	-	-	-	
165	Bradner Stadium Project	(67,793)	-	(4,695)	2,192	12,260	
167	North Union Street Rehabilitation	-	-	-	-	-	
170	Property Revaluation	-	-	-	-	-	
171	York St./Prospect Ave.	-	-	-	-	-	
173	Ice Resurfacer	-	-	-	-	-	
175	Recreation Center	-	-	-	-	-	
178	Third Street Project	-	-	-	-	-	
179	Bradner Stadium Roof	-	-	-	-	-	
180	IT Upgrade	-	-	-	-	49,469	
181	Zombie Grant	-	-	-	117,000	1,701	
185	Tree Pruning and Removal	(7,565)	-	-	-	18,744	
186	OATS Bus Replacement	-	-	-	-	-	
187	Playground Reserve	-	-	-	-	-	
188	Walkable Olean Phase 2 *	-	(145,000)	(78,576)	-	8,576	
189	Farmers Market	-	-	-	-	-	
190	Stardust Pump Station *	-	-	-	-	-	
191	Tree Program *	-	-	-	-	-	
192	TVBR Cat Program	-	-	-	-	-	
193	Washington Street	-	(1,175,000)	(98,864)	-	94,361	
194	Pedestrian Safety Action Plan (PSAP)	-	-	-	-	-	
195	Walkable Olean Phase 3 *	(1,171,733)	-	(1,806,974)	-	2,595,989	
197	HVAC Control System	-	-	-	-	-	
198	Time Square Building Repair	-	-	-	-	-	
199	North 9th Street Drainage Project	-	-	-	-	-	
200	Reserve for Cyber Attacks	-	-	-	-	-	
201	North Union Streetscape *	-	-	-	-	820	
203	Franchott Park Entrance	-	-	-	-	-	
204	Inclusive Playground Equipment	-	-	-	-	18,533	
205	Fire Station Generator	-	-	-	-	-	
206	Re-Striping City Streets	-	-	-	-	-	
208	South Union Street Getaway	(925,401)	-	-	-	1,107,134	
209	Fire Station HVAC	-	-	-	-	108	
212	Hydraulic Mapping	-	-	-	-	-	
213	Stimulus Funding	(18,270)	-	-	-	18,270	
214	Fire Department Pumper/DPW	-	(460,000)	(80,742)	-	20,742	
215	Comprehensive Development Plan	(35,764)	-	-	-	32,764	
216	Splash Park at War Vet	(8,992)	-	-	-	179,048	
217	BBG Marketing	-	-	(39)	-	80	
218	BBG Real Estate Assistance	-	-	(27)	-	93	
219	Oak Hill Park/Dog Park	-	-	7,480	-	1,730	
220	Fire Station Repairs	-	-	-	-	-	
221	Buffalo Street Underpass	-	-	-	-	-	
224	Forness Park Project	-	-	-	-	-	
225	Lauren Street Project	-	-	(6)	-	-	
226	Homeowner Sidewalk Rebate Program	(7,415)	-	(14)	-	5,046	
227	IWORQ Enforcement Software	-	-	-	-	6,125	

**City of Olean**  
**Schedule of Revenues, Expenditures, and Transfers By Project - Capital Fund**  
**For the Fiscal Years Ended May 31, 2025**

Project Number	Description	Bonds		Transfers		Expenditures
		Revenue	Proceeds	Transfers in	out	
228	Fire Station 1 Parapet	-	-	-	-	-
229	Well Refurbishment	-	-	-	-	-
230	Levee Reaccreditation	-	-	-	-	-
231	John J. Ash Center - HVAC	-	-	6	-	-
232	North Olean Sewer Reconstruction	-	-	(280,375)	-	284,325
233	Charter Review Commission	-	-	-	-	4,027
234	Bartlett House Roof/Wall	-	-	-	-	-
235	Ash Tree Removal	-	-	-	-	7,925
236	Communication Upgrades	-	-	-	-	89,970
237	Gargoyle Fire Training Facility	-	-	-	-	47,576
238	Central Fire Repairs	-	-	-	-	26,760
239	Fire Station 1 Repairs	-	-	-	-	7,956
240	Code of Ordinances Updates	-	-	-	-	5,974
241	Wayne Street Shared Use Path	(36,963)	-	-	-	104,210
242	Sewer Line Repair/Replacement	-	-	(152,957)	-	-
243	Water Line Repair/Replacement	-	-	(300,000)	-	-
244	Demolition of Unsafe Buildings	-	-	(36,000)	-	-
245	Local Records Management Grant	-	-	-	-	-
246	War Vets Park Pool	(50,435)	-	-	-	50,435
247	Zoning Code Update	-	-	-	-	-
248	RAISE West State Street	-	-	-	-	-
249	Sewer Study	-	-	(50,000)	-	-
250	Vacant Property Legislation	(500)	-	(2,000)	-	-
251	Water Reservoir Cleaning/Inspection	-	-	-	-	-
252	Bed Tax Fund	-	-	-	-	-
253	Oak Street Drainage	-	-	(1,600)	-	-
	Unreconciled difference	(127,110)	-	-	-	-
		<u>\$ (4,926,753)</u>	<u>(1,780,000)</u>	<u>(2,900,416)</u>	<u>154,784</u>	<u>7,336,537</u>

The accompanying independent auditors' report should be read in conjunction with these statements.

## **INTERNAL CONTROL**

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Christopher M. Zera, CPA

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

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

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the City of Olean, New York (the “City”), as of and for the year ended May 31, 2025, and the related notes to the financial statements, which collectively comprise City’s basic financial statements and have issued our report thereon dated February 12, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Olean’s internal control over financial reporting (internal control) as a basis for designing 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 the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of City’s internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying *Findings* section of this report as items.2025-001, 2025-002, 2025-003, 2025-004, 2025-005, 2025-006, 2025-007, and 2025-008 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free from 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 financial statements. 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 is required to be reported under *Government Auditing Standards*.



## City of Olean's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Olean's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide 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.

R.A. MERCER & CO., P.C.

*R.A. Mercer & Co., P.C.*

West Seneca, New York  
February 12, 2026

**STATE DEPARTMENT OF TRANSPORTATION  
REQUIRED SUPPLEMENTARY INFORMATION**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND CONTROLS OVER  
 STATE TRANSPORTATION ASSISTANCE EXPENDED BASED ON AN AUDIT OF  
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT  
 AUDITING STANDARDS"

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

**Report on 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, 2025. 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, 2025.

**Report on 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 *Findings* section of this report as items 2025-001, 2025-002, 2025-003, and I.2025-004 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, 2025, and have issued our report thereon dated February 12, 2026. 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 New York's Responses to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on *City of Olean, New York's* responses to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. *City of Olean, New York's* responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

### **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.

R.A. Mercer & Co., P.C.

*R.A. Mercer & Co., P.C.*

West Seneca, New York  
February 12, 2026

**CITY OF OLEAN**  
**SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**FOR THE YEAR ENDED MAY 31, 2025**

Program Title	NYSDOT Contract Number	Expenditures
STOA - 18b	1000004319	\$ 9,353
STOA	1000004319	159,026
PAVE-NY	N/A	146,399
Extreme Weather Recover (EWR)	N/A	98,205
Pave our Potholes (POP)	N/A	97,600
State Touring Route (STR)	N/A	1,350,832
Consolidated Highway Improvement Plan (CHIPS)	N/A	<u>384,167</u>
Total state transportation assistance expended		<u>\$ 2,245,582</u>

**CITY OF OLEAN, NEW YORK  
NOTES TO SCHEDULE OF STATE TRANSPORTATION  
ASSISTANCE EXPENDED  
FOR THE YEAR ENDED MAY 31, 2025**

**Note 1 Basis of Presentation**

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

**Note 2 Basis of Accounting**

The accompanying Schedule of Transportation Assistance Expended included 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.

**Note 3 Indirect Cost Rate**

There are no indirect costs associated with these programs.

**Note 4 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 May 31, 2025.

**CITY OF OLEAN, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE TRANSPORTATION ASSISTANCE EXPENDED  
FOR THE YEAR ENDED MAY 31, 2025**

Summary of audit results:

Internal control over state transportation assistance expended:

- Material weaknesses identified Findings 2025-001, 2025-002, 2025-003, and 2025-004.
- Deficiencies identified that are not Considered material weaknesses None reported.

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

Identification of State Transportation Assistance Programs Tested:

Name

Consolidated Highway Improvement Program (CHIPS)

PAVE NY

Pave our Potholes (POP)

Extreme Weather Recovery (EWR)

State Touring Route (SWR)

**Compliance Findings and Questioned Costs:**

No matters reported.

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## **FINDINGS**

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**City of Olean, New York  
Schedule of Findings  
As of and for the Year Ended May 31, 2025**

We consider the following deficiencies identified below to be material weaknesses in internal control:

**Finding 2025-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

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

*Effect:* The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This standard considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the City's financial statements not conforming with GAAP.

*Auditor's Recommendation:* Although auditors may continue to provide such assistance both now and in the future, under this pronouncement, the City should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

*City's Response:* The City has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the City believes it has a thorough understanding of these financial statements and has the ability to make informed judgments based on these financial statements.

**Finding 2025-002 Reconciliation of General Ledger and Capital Projects**

*Condition and Criteria:* During our audit, we noted that the City does not perform reconciliations of assets and liability accounts during the year on regular or routine basis, including cash, Assessment receivables, Due from other Governments, accounts receivables, payables and interfund loan balances. The accounting system has other daily and monthly reports that can be used to reconcile these accounts. In addition, the City maintained manual records along with its general ledger system for the capital projects fund. Although dual systems were maintained throughout the year, differences that arise in certain balance sheet accounts and revenue and expense accounts were not investigated and corrected until the audit.

*Effect:* Without regular and routine reconciliation of asset and liability accounts balances, a significant misstatement in the general ledger of the City would go undetected for extended periods of time and could result in inaccurate or incomplete information which is ultimately utilized by management in its decision-making process throughout the year, including the establishments of annual budgets. Within the current audit, the lack of reconciliation resulted in several audit adjustments.

*Auditor's Recommendation:* We recommend that asset and liability accounts be reconciled by the City Auditor's office on a regular and routine basis. Further, reconciliations should be reviewed by management to ensure their accurate and timely completion.

*City's Response:* The City Auditor's office will take the necessary steps to remedy this issue. A reconciliation of all asset and liability balances will be performed on a monthly basis. Additionally, the City will take the necessary steps to ensure the general ledger packages reconcile and agree to one another on a regular basis.

### **Finding 2025-003 Bank Reconciliations**

*Conditions and Criteria:* The City of Olean prepares its bank reconciliation electronically utilizing its accounting software. The cash balances per the bank reconciliations for the General, Water, Sewer and Capital did not agree the general ledger throughout several months during the year under audit. The bank reconciliations also include transactions that were not correctly recorded during the current year.

*Effect:* At times throughout the year, the City's cash balances reported within its general ledger are incorrect. The effect of not investigating and correcting bank reconciliation transactions that are improperly posted is that reporting errors in financial reporting can occur and not be detected or resolved in a timely manner.

*Auditors' Recommendation:* As part of the bank reconciliation preparation and review, the City's general ledger cash balances should be compared against the bank reconciliation, with any differences being immediately investigated and corrected.

*City's Response:* The City understands the importance of the bank reconciliation process and will investigate and correct any reconciling differences as they occur. Differences existed related to the timing of payroll transfers made from the general checking account to the payroll account. The City will put a process in place to verify that these transactions are properly accounted for on the bank reconciliations.

### **Finding 2025-004 Recordkeeping and Personnel**

*Condition and Criteria:* Internal controls over financial reporting should be designed by management to prevent or detect and correct misstatements and to comply with Governmental Accounting Standards Board ("GASB") requirements. The City should ensure that members of management charged with accounting and financial reporting duties receive adequate training and education sufficient to manage the City's financial records and to produce accurate and auditable workpapers and account reconciliations.

*Cause and Effect:* It appears that members of Management do not have the requisite training to adequately prepare the accounting records necessary to facilitate an efficient audit. **The City places undue reliance on its independent auditors for GASB compliance, governmental generally accepted accounting principles, and general account management and reconciliations as evidenced by several material proposed adjusting journal entries for the year ended May 31, 2025.**

*Auditor's Recommendations:* We recommend that the City's personnel charged with accounting and financial reporting duties receive more training in general ledger management and GASB reporting.

*City's Response:* The City will continue its process of developing accounting policies and procedures to assist with ensuring the City's books, records, and financial statements are GAAP and GASB compliant.

#### **Finding 2025-005 Unreconciled interfund balances and transfers accounts**

*Condition and Criteria:* During our audit, we noted that the City's interfund accounts were not balanced. Entries were recorded either to due to/due from accounts, interfund advance accounts, and interfund transfer accounts which were not recorded in the corresponding interfund account to properly show these transactions and balances agreeing.

Additionally, the City's accounting processes make extensive use of interfund accounts, including for transactions which may not necessitate their use. This makes the tracing in and auditing of transactions difficult. Additionally, it makes it difficult for Management to easily track certain transactions through the entire accounting process.

*Cause and Effect:* Management did not closely monitor these accounts on a regular basis to ensure that all interfund activity was properly recorded. Additionally, Management did not incorporate into its month-end procedures any controls to check whether interfund activity and balances are balanced and in agreement with each other.

*Auditor's Recommendations:* We recommend that Management implement monthly controls whereby all interfund activity and balances are checked to make sure that all activity is properly recorded for the same amounts on each fund so that these accounts are in agreement with each other. Additionally, we recommend that Management gain a better understanding of its accounts software and accounting processes and procedures so that it can better track the transactions that are recorded to interfund accounts.

*City's Response:* The City understands the importance of ensuring that interfund activity and balances balance to each other. The City will implement a monthly check to ensure better compliance with this aspect of fund accounting and reporting. Additionally, the City plans on working with its accounting software provider to gain a better understanding of the use of interfund accounts and the transactions that flow through them.

#### **Finding 2025-006 Capital Assets**

*Condition and Criteria:* During our audit, we noted that Management does not properly track its capital assets. Management places excessive reliance on the auditors to determine which acquisitions should be capitalized as fixed assets, for calculating depreciation expense, and for tracking its capital asset inventory in general.

*Cause and Effect:* Current City accounting policies and procedures do not require Management to properly track capital asset purchases and disposals from a GAAP accounting standpoint. The City has, from time to time, had outside appraisals performed of its capital asset inventory but the tracking of purchases, disposals, and depreciation was lacking. Additionally, Management has not had the requisite training to properly perform the procedures needed to track capital assets.

*Auditor's Recommendations:* We recommend that Management obtain the training necessary to more fully understand the requirements for a municipality to follow to track capital assets and to put policies and procedures in place to do so.

*City's Response:* The City understands the importance of ensuring that its capital assets are properly recorded and tracked. Management plans to obtain the training necessary to bring the City's capital assets procedures into compliance with the applicable requirements.

#### **Finding 2025-007 Netting of Revenues with Expenditures / Budget Monitoring**

*Condition and Criteria:* During our audit, we noted that Management netted certain revenues received against the associated expenditures. This is not proper GAAP accounting and it negatively impacts the budget monitoring process due to understatement of expenditures.

*Cause and Effect:* Management had not been properly trained on the proper GAAP accounting rules for recording certain energy credits received and improperly recorded these amounts as offsets to the associated expenditures.

*Auditor's Recommendations:* We recommend that Management report revenues and expenditures as gross amounts rather than netting certain revenues against the associated expenditures. This will put the City in compliance with proper GAAP accounting and will improve Management's budget monitoring process.

*City's Response:* The City understands the importance of staying compliant with GAAP accounting and with budget monitoring. Management has begun correcting this oversight and will properly report revenues and expenditures at the gross amount going forward.

#### **Finding 2025-008 Reconciliations of Water Fund and Sewer Fund Receivables**

*Condition and Criteria:* During our audit, we noted that Management does not perform regular reconciliations of the City's Water Fund and Sewer Fund receivables to backup documentation generated by the accounting system.

*Cause and Effect:* The City's policies and procedures did not require accounts receivable reconciliations in the Water and Sewer Fund.

*Auditor's Recommendations:* We recommend that Management perform reconciliations of the receivable accounts in the Water and Sewer funds at least monthly to ensure that the City is reporting the correct amounts on its balance sheet.

*City's Response:* The City understands the importance of proper accounts receivable reconciliations. Management will begin the process of implementing policies and procedures to undertake periodic reconciliations of the receivable accounts in the Water and Sewer funds.