

CITY OF OLEAN, NEW YORK

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE
FISCAL YEAR ENDED MAY 31, 2009
WITH INDEPENDENT AUDITORS' REPORT**

CITY OF OLEAN, NEW YORK

MAY 31, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *City of Olean, New York* for the year ended May 31, 2009, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's May 31, 2008 financial statements and, in our report dated October 16, 2008; we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, general fixed assets are reported at estimated historical costs as required by accounting principles generally accepted in the United States of America. However, although the City conducted an independent appraisal of its fixed assets in the current year, a reconciliation of the appraisal to the recorded costs has not been performed and therefore, the reasonableness of the estimated costs could not be verified as required under GASB 34.

In our opinion, except for the effects of the estimated cost of the City's fixed assets as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the *City of Olean, New York* as of May 31, 2009, and the results of the respective changes in financial position and the budgetary comparison for the general fund, special revenue funds, and debt service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2009 on our consideration of the *City of Olean, New York's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the *City of Olean, New York's* basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the *City of Olean, New York*. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and is also not a required part of the basic financial statements of *City of Olean, New York*. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 2, 2009**

I. Discussion and Analysis

The following is a discussion and analysis of the *City of Olean, New York's* (the City) financial performance for the fiscal year ended May 31, 2009. The section is a summary of the City's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the City's financial statements, which immediately follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the City of during the fiscal year ended May 31, 2009:

- Overall net assets of the City increased approximately \$5,358,000, which resulted from an increase from operations of \$4,733,000 during the fiscal year ended May 31, 2009 and restatement of the City's fixed assets which resulted in an increase in net assets of \$625,000.
- Total net assets of the City as of May 31, 2009 amounted to approximately \$18,782,000.
- The City's total revenue increased approximately 5% from \$23,450,000 during the fiscal year ended May 31, 2008 to \$24,672,000 during the fiscal year ended May 31, 2009. This increase was primarily the result of an increase in real property taxes, as well as rate increases in water and sewer rates, sales tax revenue, AIM aid and aid from New York State to operate OATS bus services.
- The City's total expenses increased approximately 5% from \$18,913,000 during fiscal year ended May 31, 2008 to \$19,939,000 during the fiscal year ended May 31, 2009. This increase was primarily related to retirement incentives and increased health insurance premiums.
- The City incurred capital costs in the amount of approximately \$5,341,000 primarily related to the purchase of new vehicles, airport renovations, and work performed on both the City's East State Bridge and Two Mile Sewer Projects.
- The general fund reported an overall fund balance of approximately \$787,000 as of May 31, 2009.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

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

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Assets

The Statement of Net Assets (Page 11) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net assets" (the resources that would remain if all obligations were settled) of the City. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (Page 12) shows the amounts of program-specific and general revenue used to support the City's various functions.

The Statement of Net Assets and Statement of Activities divide the activities of the City into two categories: governmental activities (the City's functions, including general governmental support, public safety, transportation, culture and recreation, etc.; property taxes, non-property taxes (sales taxes) and state and federal revenue usually support most of these functions) and proprietary activities. The City only had governmental activities during the current fiscal year.

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

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

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

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

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

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

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

The City has two kinds of funds:

1. Governmental Funds

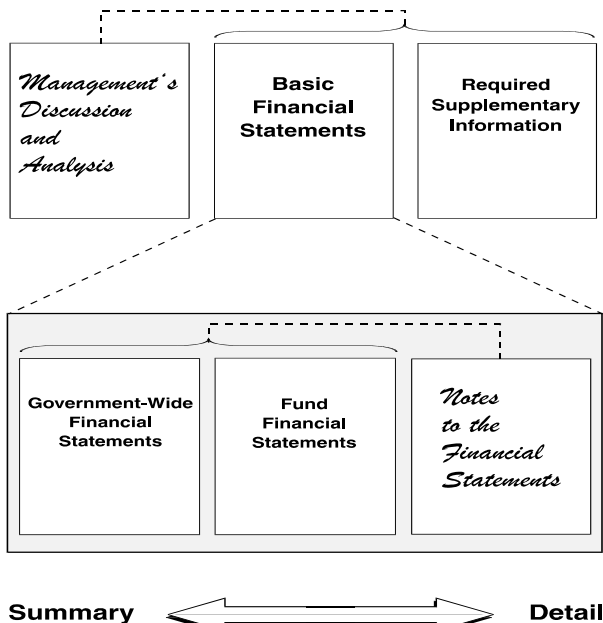
Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending.

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

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

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

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



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

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

2. Fiduciary Funds

The City is the trustee, or fiduciary, for assets that belong to others. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The City excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

IV. Financial Analysis of the City as a Whole

Net Assets

The City's total reporting entity net assets increased \$4,733,000 or 35%. The components of net assets include: invested in capital assets, net of related debt of \$17,875,000; restricted net assets of \$528,000; and unrestricted net assets of \$379,000 as of May 31, 2009.

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

Changes in Net Assets

The City's total government-wide revenue was \$24,672,000. Approximately 26%, 19%, and 44% of total revenue is derived from the property taxes, non-property taxes and program revenue, respectively. The remaining 12% comes from state sources, use of money and property, sales of property and compensation for loss and other revenue sources.

The total cost of all programs and services of the City was \$19,939,000 for the fiscal year ended May 31, 2009. The City's expenses cover a range of services, with 12%, 28%, 9%, and 18% related to general government support, public safety, transportation and employee benefits, respectively. Figure A-4 through Figure A-6 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Revenue

- Property tax revenue represents approximately 26% of the City's total revenue for governmental activities. Total property taxes increased approximately \$663,000 or 12% during the current fiscal year. This increase was primarily the result of a 11% increase in the tax rate for the 2008-09 fiscal year, as well as an increase in the tax roll of \$37,000.
- One of the City's most significant general revenue is non-property taxes, which represents \$4,566,000 or 19% of total governmental revenue. Total non-property taxes increased approximately \$105,000 or 2% as a result of an increase in sales and use tax revenues.
- The City's program revenue totaled approximately \$10,779,000. Program revenue consists of charges for services in the amount of \$8,061,000, which is primarily related to revenue received in the special revenue funds of approximately \$7,090,000. These revenues relate to water and sewer usage fees and program income related to the City's three community development programs. The City received operating grants in the amount of \$1,088,000, which relate to grants totaling \$57,000 for public safety (court security and facility aid), transportation grant of \$262,000 (NYS Mass Transit) and cultural and recreation grants of \$26,000 (youth bureau) and capital grants and contributions in the amount of \$1,630,000, which consists of grants related to the City's capital project funds.

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

Revenue (continued)

These projects include federal and state grants for bridge replacement (NYS DOT and Marchesilli), airport improvements (FAA and NYS DOT), vehicle replacement (FEMA), and the CHIPS program (NYS DOT and Marchesilli). Total charges for services increased approximately 5% during the current fiscal year as a result of increases in water and sewer revenue correlating with rate increases. Total operating grants increased approximately 512% during the current fiscal year, as a result of one-time grant funding for OATS bus and for grant funding received which was passed through to a local company in an effort to create jobs. Lastly, capital grants and contributions decreased approximately 38% during the current year, which was primarily related to East State Bridge and Airport projects substantially completed in the prior fiscal year.

Expenses

Figure A-6 presents the cost of each of the expenditure-types, which include; general governmental support, public safety, health, transportation, culture and recreation, economic development, home and community services, employee benefit and debt service. The net cost shows the financial burden that was placed on the City's taxpayers and NYS by each of these functions. Total costs of the City's governmental activities were approximately \$19,939,000.

- The City's general governmental support was approximately \$2,351,000 or 12% of expenditures. These expenditures consist primarily of the City's main support service departments such as central garage, buildings department, clerk's office, public works department, outside professional fees and related fees and the City's general liability insurances. Total general governmental support expenses decreased approximately 8% as a result of decreased expenditures in the central garage and liability insurance.
- The City's public safety costs were approximately \$5,583,000 or 28% of total expenditures. These expenditures consist primarily of costs attributable to the fire and police departments. Total costs for public safety increased 5% during the current year, due to an increase in police department salaries and fire department overtime.

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

Expenses (continued)

- Transportation costs of the City were approximately \$1,767,000 or 9% of total expenditures. These expenditures encompass the street maintenance department including maintenance and snow removal, the airport department and street lighting expenditures. Total transportation costs decreased approximately 9% during the current year as a result of a decrease in costs related to maintenance of streets related to CHIPS funding. These decreases were offset by increases related to operation of the OTA bus transportation.
- The City's culture and recreation costs were approximately \$1,029,000 or 5% of total expenditures. These expenditures consist primarily of costs of maintaining the City's parks, playgrounds and recreational facilities and programs. Total expenses for culture and recreation increased approximately 12% which was primarily related to additional maintenance at park and recreation center and expanded hours and programs.
- Home and community services costs were approximately \$4,608,000 or 23% of total expenditures. These expenditures are related to costs of the water and sewer funds and costs related to homebuyer and other community development projects. Total home and community services expenditures increased 36% during the current year, primarily related to grant funding received by the City which was passed through to a local company.
- Employee benefit costs were approximately \$3,542,000 or 18% of total expenditures. These expenditures consist primarily of social security benefits, health insurance benefits, workmen's compensation benefits and pension costs. Total employee benefit costs decreased approximately 6% during the current fiscal year primarily as a result of reduced retirement contribution percentages.
- During the current fiscal year, the City had debt service costs of \$964,000. These costs were primarily related to the current fiscal year interest payments on long-term debt for the new water treatment facility and the City's two new reservoirs. These costs also include interest payments on serial bonds for pension costs and other city long-term debt.

**CITY OF OLEAN, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2009**

Figure A-3 – Condensed Statement of Net Assets

City of Olean, New York Condensed Statement of Net Assets As of May 31, (in thousands of dollars)			
	2009	2008	Change
Assets			
Current and other assets	\$ 23,799	\$ 15,422	54%
Capital Assets	37,564	33,029	14%
Total assets	\$ 61,363	\$ 48,451	27%
Liabilities			
Other liabilities	\$ 7,803	\$ 6,635	18%
Long-term debt outstanding	34,778	28,391	22%
Total liabilities	42,581	35,026	22%
Net Assets			
Invested in capital assets, net of related debt	17,875	14,905	20%
Restricted	528	530	0%
Unrestricted (deficit)	379	(2,010)	-119%
Total net assets	18,782	13,425	40%
Total liabilities and net assets	\$ 61,363	\$ 48,451	27%

Figure A-4 – Condensed Statement of Activities

City of Olean, New York Condensed Statement of Activities For the Year Ended May 31, (in thousands of dollars)			
	2009	2008	Change
Revenue			
Program Revenue			
Charges for services	\$ 8,061	\$ 7,709	5%
Operating grants	1,088	178	512%
Capital grants & contributions	1,630	2,621	-38%
General Revenue			
Real property taxes	6,391	5,728	12%
Special assessment tax - real property	2	2	-4%
Real property tax items	286	224	28%
Non-property tax items	4,566	4,461	2%
Use of money and property	121	185	-35%
Sales of property & compensation for loss	42	-	n/a
Miscellaneous local sources	-	-	-
State aid	2,485	2,341	6%
Total revenue	24,672	23,450	5%
Expenses			
General government support	2,351	2,551	-8%
Public safety	5,583	5,330	5%
Health	80	92	-13%
Transportation	1,767	1,936	-9%
Economic development	16	16	1%
Culture and recreation	1,029	919	12%
Home and community services	4,608	3,394	36%
Employee benefits	3,542	3,784	-6%
Debt service	964	891	8%
Total expenses	19,939	18,913	5%
Change in net assets	\$ 4,733	\$ 4,537	

Figure A-5 – Governmental Sources of Revenue

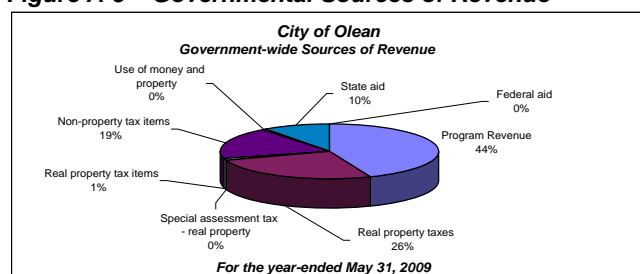
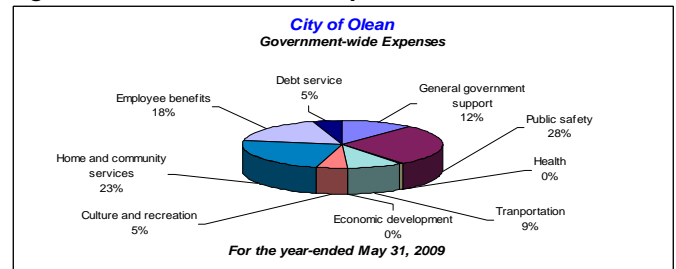


Figure A-6 – Governmental Expenses



V. Financial Analysis of the City's Funds

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

General Fund

- The City's general fund revenues exceeded its expenditures by approximately \$1,697,000 during the year ended May 31, 2009.
- The City's general fund undesignated, unreserved fund balance equated to approximately \$732,000 as of May 31, 2009.
- The City had a reserve for encumbrances as of May 31, 2009, which approximated \$55,000.
- The total assets for the City's general fund were \$12,319,000 which increased approximately \$700,000 during the current year, primarily related to an increase in cash as a result of having an operating surplus during the fiscal year ended May 31, 2009. The City's general fund liabilities as of May 31, 2009 were \$11,532,000 which decreased approximately \$997,000 during the current fiscal year, primarily related to paying down debt related to deficit financing and revenue anticipation notes during the fiscal year ended May 31, 2009.

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

General Fund (continued)

- The City's total revenue in the general fund increased approximately \$1,228,000 or 8% during the current year as a result of increases in revenue associated with the real estate taxes, sales tax, ambulance fees and revenue sharing. Total expenditures and other uses in the general fund increased approximately \$1,041,000 or 8% which was primarily related to retirement incentives, fire department overtime, health insurance premiums and transfers to the capital projects fund.

Special Revenue Fund

- The City's special revenue consisted of the following funds; water fund, sewer fund, revolving loan fund, housing fund and first time homebuyers' fund.
- Current year revenue and other sources in the special revenue fund was \$7,091,000 which increased \$947,000 primarily related to increased revenues in the sewer fund (\$438,000) offset by a decrease in water fund revenues (\$222,000). Revenues in the revolving loan fund (\$762,000 increase) also increased significantly during the current fiscal year. The net increases in the water and sewer funds were directly related to increases of water and sewer rates during the current fiscal year. The water rate increase was offset by a significant decline in water usage from a major energy producing entity during the current fiscal year. The increase in revenues in the revolving loan fund was directly related to a grant received for a local business. Total expenditures and other uses were \$6,431,000 which increased \$1,100,000 primarily related to paying out the grant to the local business and contractual increase in the water and sewer funds.

Debt Service Fund

- The City's current fiscal year revenue and other sources were \$1,610,000 which decreased approximately \$81,000 and was primarily related to a decrease in long-term debt requirements. Expenditures during the current year amounted to \$1,617,000 which decreased approximately \$63,000.

Capital Projects Fund

- During the current year, the City incurred total costs in the capital projects fund in the amount of \$5,123,000. Such costs were primarily related to costs associated with the City's replacement of its East State Bridge (\$788,000), the City's Two Mile Sewer Project (\$1,796,000), Energy audit (\$1,085,000), Vehicle replacement (\$518,000) and the City's CHIPS program (\$119,000).

VI. General Fund Budgetary Highlight

As shown in figure A-7, over the course of the year, the City makes many budget transfers. After such transfers, the revised budget presents actual expenditures being approximately \$856,000 below the revised budget. The most significant variances were in the areas of employee benefits and general governmental support which totaled approximately \$252,000 and \$624,000, respectively, below that budgeted. On the other hand, resources available for appropriations were approximately \$989,000 above the final budgeted amount. Significant variance of revenue items consisted of non-property tax items and state aid that were approximately \$416,000 and \$216,000, respectively, above that budgeted.

VII. Capital Asset and Debt Administration

Capital Assets

As of May 31, 2009, the City had a net investment of \$37,564,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the fiscal year ended May 31, 2009, totaled approximately \$5,341,000 and consisted primarily of costs associated with the purchase of new vehicles, airport renovations, and work performed on both the City's East State Bridge and Two Mile Sewer Projects. The City also recorded a prior period adjustment during the current year in the amount of \$625,000 as a result of a new independent appraisal that was conducted during the current year. More detailed information about the City's capital assets is presented in the notes of the financial statements.

Long-term Debt

As of May 31, 2009, the City had approximately \$34,778,000 in serial bonds, EFC notes, revenue anticipation notes, bond anticipation notes, compensated absences, retirement incentives, environmental liability and other long-term debt outstanding.

Figure A-7 – General Fund Budget vs Actual

<i>City of Olean, New York</i> <i>Budget vs Actual - General Fund</i> <i>For the Year Ended May 31, 2009</i> <i>(in thousands of dollars)</i>			
Revenue	Revised Budget	Actual	Difference
Real property taxes	\$ 6,391	\$ 6,391	\$ -
Special assessment tax - real property	6	2	(3)
Real property tax items	192	286	94
Non-property tax items	4,150	4,566	416
Departmental income	1,132	1,315	184
Intergovernmental charges	164	180	16
Use of money and property	85	106	21
Licenses and permits	54	78	24
Fines and forfeitures	110	96	(14)
Sales of property and comp for loss	3	38	35
Miscellaneous local sources	-	-	-
State aid	2,615	2,831	216
Federal aid	-	-	-
Other financing sources	-	-	-
Transfer from other funds	-	-	-
Total revenue	\$ 14,900	\$ 15,889	\$ 989
Expenses			
General government support	\$ 2,646	\$ 2,022	\$ 624
Public safety	5,386	5,269	116
Health	85	74	11
Transportation	1,538	1,408	130
Economic development	15	15	-
Culture and recreation	1,115	1,027	88
Home and community services	138	122	16
Employee benefits	3,177	2,926	252
Debt service	306	356	(50)
Other financing uses	-	-	-
Transfer to other funds	641	972	(331)
Total expenses	\$ 15,048	\$ 14,192	\$ 856

VIII. Factors bearing on the City's Future

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

- The City has seen significant increases in its real property revenues in the past few years due to the increased rates adopted by the Common Council of the City of Olean. For the 2009-10 fiscal year, the Council adopted a budget, and tax increase of approximately 4.82%.
- The City has not prepared a citywide assessment on real properties since 1962. This has caused the property valuations utilized in the preparation of real property tax bills to be outdated and inadequate. To remedy this problem, the Administration is conducting a reassessment plan to bring all properties to 100% assessment. The Administration feels that this reassessment will result in the fair and equitable taxation of all properties, and also, the City will not have to rely on the State equalization rate.

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

- The City has also seen an industrial base decrease, which effects employment in the area. Manufacturing is moving production overseas and therefore, either closing plants or reducing work staffs. Again, this is not unique to the City of Olean, New York. The northeastern part of the country is experiencing the same situations. The State Comptroller's Office has compiled a number of reports on the issue. Decreased employment has a trickle down effect, which causes reductions in new housing construction, housing sales and values, and overall population. However, in the past year some new business developments have entered the City of Olean. A call center opened, with hopes of employing several hundred individuals. Also a local manufacturing plant built a new testing facility and office building within the City, hoping to bring at least 150 engineering jobs to the area. Finally, the City planning board has approved several retail venues, including restaurants, large chain drug stores, and durable good retailers. It is expected that many of these retailers will open up for business within the next fiscal year.
- State mandated pension contributions are effected by investment performance of the Retirement System. The expected long term rate assumes an annual return on investment of 8%. If the fund performs better than the expected long-term rate, the contribution to the plan will be lower than if the fund performs poorly. In the 1990's and early in this decade, the City's contributions were unusually low because of exceptional fund performance. In 2004, the performance was falling short of target, and the contribution rates skyrocketed over one million dollars per year. In the past few years the City has seen its contribution decrease in connection with decreases in employment totals, but the contribution percentage remains high. The City expects these rates to substantially increase in the near future as a result of the significant drop in the stock market.
- The City incurred substantial debt relative to the upgrade of the water facilities. The City may also need to borrow additional funds to fix problems caused by aging infrastructure related to the wastewater treatment plant and intake system. In addition, the Common Council has agreed to borrow \$7 million to finance the Two Mile Intercept and East State Sewer Projects. Therefore, with the State and external auditors' continued recommendations, it is imperative that the Water and Sewer funds be self sufficient, and that a surplus be established to finance future system maintenance and improvements.

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

- On September 27, 2007, the City of Olean issued \$4,300,000 in Bond Anticipation Notes, under special Home Rule legislation. The purpose of the legislation was to finance the accumulated deficit established in the General, Water, Sewer, and Capital Funds through May 31, 2007. The bond anticipation notes were renewed on September 25, 2008 for approximately \$3,031,000. Once the short-term notes are converted to long term bonds, the negative fund balances in the fund financial statements will be eliminated.
- The City has contracted a private engineering firm to perform an energy audit, to identify potential projects that can reduce energy costs or increase revenues for the City, by increasing energy efficiencies. It is estimated the total cost of the project will be \$5,600,000. The project guarantees cost savings/revenue increases to cover the debt repayment. The most significant project the City is considering is the replacement of the water meters. This project represents approximately 40% of the cost of the total project. It is anticipated that the projects will begin within the next year.

IX. Contacting the City's Financial Management

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

Mr. Robert Ballway, City Auditor
City of Olean, New York
Municipal Building
Olean, New York

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

Assets	2009	2008
Cash on hand	\$ 1,348	\$ 1,348
Cash on deposit		
Regular accounts	13,055,490	11,200,131
Receivables		
Refuse and garbage	1,004	795
Special assessment	9,648	11,256
Accounts receivable	1,586,758	1,591,949
Due from other funds	8,273	-
State and federal	1,334,191	1,353,797
Due from other governments	84,406	98,142
Revolving loans receivable	450,743	454,973
First Time Homebuyers loans receivable	145,730	149,716
Rehabilitation loans receivable	8,461	8,743
Other assets - other post-employment benefit	13,385	-
Cash to be used for capital assets	7,099,783	551,086
Capital assets, net	37,564,046	33,028,879
Total assets	<u>\$ 61,363,266</u>	<u>\$ 48,450,815</u>
Liabilities		
Payables		
Accounts payable	\$ 1,636,698	\$ 1,029,931
Accrued liabilities	713,265	724,523
Due to other funds	2,716	39,247
Other liabilities	194,349	203,709
Deferred revenue	5,250,938	4,637,436
Long-term liabilities		
Portion due or payable within one year		
Due to other governments	23,516	23,282
Revenue anticipation notes payable	2,800,000	3,500,000
Bond anticipation notes payable - construction	11,915,000	2,170,000
Bond anticipation notes payable - deficit financing	3,030,937	4,300,000
NYS EFC notes	275,000	275,000
Serial bonds payable	729,000	805,000
Environmental liability	225,000	225,000
Retirement incentive	216,000	276,000
Compensated absences	78,000	170,000
Other liabilities	89,500	-
Portion due or payable after one year		
Due to other governments	119,103	142,617
NYS EFC notes	5,965,000	6,240,000
Serial bonds payable	7,905,000	8,634,000
Environmental liability	663,000	761,000
Retirement incentive	337,208	523,813
Compensated absences	407,027	345,769
Other liabilities	5,000	-
Total liabilities	<u>42,581,257</u>	<u>35,026,327</u>
Net Assets		
Investment in capital assets, net of related debt	17,874,829	15,455,965
Restricted for		
Reserved for debt	528,060	529,911
Unrestricted:		
Designated	115,354	226,784
Undesignated (deficit)	263,766	(2,788,172)
Total net assets	<u>18,782,009</u>	<u>13,424,488</u>
Total liabilities and net assets	<u>\$ 61,363,266</u>	<u>\$ 48,450,815</u>

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

	Program Revenues				2009	2008
	Expenses	Charges for Services	Operating Grants	Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs						
General government support	\$ 2,350,921	\$ 277,022	\$ -	\$ 514,691	\$ (1,559,208)	(2,014,890)
Public safety	5,582,610	209,762	56,692	84,243	(5,231,914)	(5,070,928)
Health	80,189	688,241	-	-	608,052	571,962
Transportation	1,767,011	393,355	262,468	420,640	(690,548)	581,647
Economic development	16,140	9,670	-	-	(6,470)	(8,278)
Culture and recreation	1,029,290	243,368	26,305	-	(759,617)	(661,996)
Home and community services	4,607,723	4,966,523	742,022	610,298	1,711,121	1,638,034
Employee benefits	3,541,441	1,111,496	-	-	(2,429,945)	(2,696,499)
Debt service - interest & issuance fees	963,678	161,355	-	-	(802,323)	(744,596)
Total functions and programs	<u>\$ 19,939,003</u>	<u>\$ 8,060,792</u>	<u>\$ 1,087,487</u>	<u>\$ 1,629,872</u>	<u>(9,160,852)</u>	<u>(8,405,544)</u>
General Revenues						
Real property taxes					6,390,786	5,727,882
Special assessment tax - real property					2,283	2,380
Real property tax items					286,262	224,299
Non-property tax items					4,566,227	4,461,486
Use of money and property					120,903	185,113
Sales of property and compensation for loss					41,941	-
State aid					2,485,107	2,341,071
Total general revenues					<u>13,893,509</u>	<u>12,942,231</u>
Change in net assets					4,732,657	4,536,687
Net assets - beginning of year					13,424,488	8,887,801
Prior period adjustment					624,864	-
Net assets - end of year					<u>\$ 18,782,009</u>	<u>\$ 13,424,488</u>

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

	Major Funds					Non-Major Funds	2009	2008
	General	Water	Sewer	Debt Service	Capital Project Funds	Special Revenue Funds	(Memo only) Total	(Memo only) Total
Assets								
Cash on hand	\$ 1,308	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 1,348	\$ 1,348
Cash on deposit								
Regular accounts	10,817,825	475,738	\$ 166,598	\$ 528,060	\$ 8,021,387	\$ 145,665	20,155,273	11,751,217
Receivables								
Refuse and garbage	1,004	-	-	-	-	-	1,004	795
Special assessment	9,648	-	-	-	-	-	9,648	11,256
Accounts receivable	176,293	745,625	664,840	-	-	-	1,586,758	1,591,949
Due from other funds	-	-	-	-	648,959	-	648,959	239,932
Advances to other funds	632,900	-	-	-	-	-	632,900	641,496
State and federal	679,901	-	-	-	654,290	-	1,334,191	1,353,797
Revolving loans receivable	-	-	-	-	-	450,743	450,743	454,973
First Time Homebuyers loans receivable	-	-	-	-	-	145,730	145,730	149,716
Rehabilitation loans receivable	-	-	-	-	-	8,461	8,461	8,743
Total assets	\$ 12,318,879	\$ 1,221,403	\$ 831,438	\$ 528,060	\$ 9,324,636	\$ 750,599	\$ 24,975,015	\$ 16,205,222
Liabilities								
Accounts payable and retainage payable	\$ 216,484	\$ 41,227	\$ 37,317	\$ -	\$ 1,341,670	\$ -	\$ 1,636,698	\$ 1,029,931
Accrued liabilities	633,335	25,956	21,895	-	100,000	-	781,186	780,523
Due to other funds	332,084	50,000	261,318	-	-	-	643,402	279,179
Advances from other funds	-	551,071	81,829	-	-	-	632,900	641,496
Due to employee retirement system	133,333	10,833	11,667	-	-	-	155,833	174,167
Other liabilities	3,341	-	-	-	-	35,254	38,595	29,542
Deferred revenue	4,646,006	-	-	-	-	604,932	5,250,938	4,637,436
Revenue anticipation notes payable	2,800,000	-	-	-	-	-	2,800,000	3,500,000
Bond anticipation notes - construction	-	-	-	-	11,915,000	-	11,915,000	2,170,000
Bond anticipation notes - deficit financing	2,767,020	-	-	-	263,917	-	3,030,937	4,300,000
Total liabilities	11,531,603	679,087	414,026	-	13,620,587	640,186	26,885,489	17,542,274
Fund Equity								
Reserved for encumbrances	55,158	57,541	2,655	-	-	-	115,354	221,784
Reserved for debt	-	-	-	528,060	-	-	528,060	529,911
Unreserved:								
Designated for subsequent year's expenditures	-	-	-	-	-	-	-	5,000
Undesignated (deficit) reported as major:	732,118	484,775	414,757	-	(4,295,951)	-	(2,664,301)	(2,190,537)
Undesignated (deficit) reported as nonmajor:								
Special revenue funds						110,413	110,413	96,790
Capital project funds						-	-	-
Total fund equity (deficit)	787,276	542,316	417,412	528,060	(4,295,951)	110,413	(1,910,474)	(1,337,052)
Total liabilities and fund equity	\$ 12,318,879	\$ 1,221,403	\$ 831,438	\$ 528,060	\$ 9,324,636	\$ 750,599	\$ 24,975,015	\$ 16,205,222

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

	Major Funds				Capital Project Funds	Non-Major Funds	2009 (Memo only) Total	2008 (Memo only) Total
	General	Water	Sewer	Debt Service		Special Revenue Funds		
Revenue								
Real property taxes	\$ 6,390,786	-	-	-	-	-	\$ 6,390,786	5,727,882
Special assessment tax - real property	2,283	-	-	-	-	-	2,283	2,380
Real property tax items	286,262	-	-	-	-	-	286,262	224,299
Non-property tax items	4,566,227	-	-	-	-	-	4,566,227	4,461,486
Departmental income	1,315,417	\$ 3,295,503	\$ 2,604,199	-	-	\$ 158,471	7,373,590	7,168,883
Intergovernmental charges	179,916	-	277,171	-	-	-	457,087	339,446
Use of money and property	106,448	-	-	\$ 6,208	\$ 13,709	920	127,285	188,233
Licenses and permits	77,909	-	-	-	-	-	77,909	52,183
Fines and forfeitures	95,920	-	-	-	-	-	95,920	108,336
Sale of property & compensation for loss	37,591	12,313	-	41,941	-	-	91,845	32,835
Miscellaneous local sources	-	-	-	-	76,915	-	76,915	88,752
State aid	2,830,572	-	-	-	339,663	-	3,170,235	3,574,715
Federal aid	-	-	-	-	1,213,294	742,022	1,955,316	1,480,794
Total revenue	15,889,331	3,307,816	2,881,370	48,149	1,643,581	901,413	24,671,660	23,450,224
Expenditures								
General government support	2,022,468	76,210	70,000	12,236	1,617,824	-	3,798,738	2,647,757
Public safety	5,269,321	-	-	-	264,800	-	5,534,121	4,889,716
Health	73,994	-	-	-	-	-	73,994	84,904
Transportation	1,408,378	-	-	-	1,322,193	-	2,730,571	3,902,378
Economic development	15,000	-	-	-	-	-	15,000	15,000
Culture and recreation	1,027,230	-	-	-	-	-	1,027,230	857,033
Home and community services	121,809	1,730,708	1,626,264	-	1,918,344	887,790	6,284,915	3,660,581
Employee benefits	2,925,637	402,018	387,636	-	-	-	3,715,291	3,592,570
Debt service:								
Principal	23,280	-	-	1,080,000	-	-	1,103,280	1,107,050
Interest	332,687	5,041	99,183	525,031	-	-	961,942	890,346
Total expenditures	13,219,804	2,213,977	2,183,083	1,617,267	5,123,161	887,790	25,245,082	21,647,335
Excess (deficiency) of revenue over expenditures	2,669,527	1,093,839	698,287	(1,569,118)	(3,479,580)	13,623	(573,422)	1,802,889
Other financing sources (uses)								
Bad debt expense	-	-	-	-	-	-	-	(18,675)
BANS redeemed from appropriations	-	-	(100,000)	-	100,000	-	-	-
Operating transfers in	-	-	-	1,562,267	456,300	-	2,018,567	1,748,092
Operating transfers out	(972,251)	(939,197)	(107,119)	-	-	-	(2,018,567)	(1,748,092)
Total other financing sources (uses)	(972,251)	(939,197)	(207,119)	1,562,267	556,300	-	-	(18,675)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	1,697,276	154,642	491,168	(6,851)	(2,923,280)	13,623	(573,422)	1,784,214
Fund equity (deficit), beginning of year	(910,000)	387,674	(73,756)	534,911	(1,372,671)	96,790	(1,337,052)	(3,121,266)
Fund equity (deficit), end of year	\$ 787,276	\$ 542,316	\$ 417,412	\$ 528,060	\$ (4,295,951)	\$ 110,413	\$ (1,910,474)	\$ (1,337,052)

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2009

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Real property taxes	\$ 6,390,786	\$ 6,390,786	\$ 6,390,786	\$ -	\$ -
Special assessment tax - real property	5,500	5,500	2,283	-	(3,217)
Real property tax items	192,265	192,265	286,262	-	93,997
Non-property tax items	4,150,000	4,150,000	4,566,227	-	416,227
Departmental income	1,131,500	1,131,500	1,315,417	-	183,917
Intergovernmental charges	163,603	163,603	179,916	-	16,313
Use of money and property	85,000	85,000	106,448	-	21,448
Licenses and permits	53,750	53,750	77,909	-	24,159
Fines and forfeitures	110,000	110,000	95,920	-	(14,080)
Sales of property and compensation for loss	3,000	3,000	37,591	-	34,591
State aid	2,614,930	2,614,930	2,830,572	-	215,642
Total revenue	14,900,334	14,900,334	15,889,331	-	988,997
Expenditures					
General government support	2,689,192	2,646,442	2,022,468	\$ 27,893	596,081
Public safety	5,199,111	5,385,759	5,269,321	27,265	89,173
Health	79,840	85,226	73,994	-	11,232
Transportation	1,511,265	1,538,265	1,408,378	-	129,887
Economic development	15,000	15,000	15,000	-	-
Culture and recreation	1,068,558	1,115,058	1,027,230	-	87,828
Home and community services	137,970	137,970	121,809	-	16,161
Employee benefits	3,252,369	3,177,369	2,925,637	-	251,732
Debt service:					
Principal	23,282	23,282	23,280	-	2
Interest	282,797	282,797	332,687	-	(49,890)
Total expenditures	14,259,384	14,407,168	13,219,804	55,158	1,132,206
Excess (deficiency) of revenue over expenditures	640,950	493,166	2,669,527	(55,158)	2,121,203
Other financing uses					
Operating transfers out	(640,950)	(640,950)	(972,251)	-	(331,301)
Total other financing uses	(640,950)	(640,950)	(972,251)	-	(331,301)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	\$ -	\$ (147,784)	\$ 1,697,276	\$ (55,158)	\$ 1,789,902

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MAY 31, 2009

	<u>(Water Fund and Sewer Fund Only)</u>				Variance
	Original	Amended	Actual	Encumbrances	Favorable
	Budget	Budget			(Unfavorable)
Revenue					
Departmental income	\$ 5,767,150	\$ 5,767,150	\$ 5,899,702	\$ -	\$ 132,552
Intergovernmental charges	200,000	200,000	277,171	-	77,171
Sales of property and compensation for loss	60,000	60,000	12,313	-	(47,687)
State aid	5,000	5,000	-	-	(5,000)
Total revenue	6,032,150	6,032,150	6,189,186	-	157,036
Expenditures					
General government support	346,200	166,875	146,210	-	20,665
Home and community services	3,741,436	3,868,461	3,356,972	60,196	451,293
Employee benefits	809,541	810,841	789,654	-	21,187
Debt service - interest expense	17,906	17,906	104,224	-	(86,318)
Total expenditures	4,915,083	4,864,083	4,397,060	60,196	406,827
Excess (deficiency) of revenue over expenditures	1,117,067	1,168,067	1,792,126	(60,196)	563,863
Other financing sources (uses)					
BANs redeemed from appropriations	-	-	(100,000)	-	(100,000)
Operating transfers out	(1,107,930)	(1,232,930)	(1,046,316)	-	186,614
Total other financing sources (uses)	(1,107,930)	(1,232,930)	(1,146,316)	-	86,614
Excess (deficiency) of revenue over expenditures and other financing uses	\$ 9,137	\$ (64,863)	\$ 645,810	\$ (60,196)	\$ 650,477

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2009

	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue				
Use of money and property	\$ -	\$ 6,208	\$ -	\$ 6,208
		41,941		41,941
Total revenue	-	48,149	-	48,149
Expenditures				
General government support	12,236	12,236		-
Debt service:				
Principal	1,180,000	1,080,000		100,000
Interest	611,646	525,031		86,615
Total expenditures	1,803,882	1,617,267	-	186,615
Excess (deficiency) of revenue over expenditures	(1,803,882)	(1,569,118)	-	234,764
Other financing sources (uses)				
Operating transfers out	-	-		-
Operating transfers in	1,748,882	1,562,267		(186,615)
Total other financing sources (uses)	1,748,882	1,562,267	-	(186,615)
Excess (deficiency) of revenue and other financing sources over expenditures	\$ (55,000)	\$ (6,851)	\$ -	\$ 48,149

CITY OF OLEAN, NEW YORK
STATEMENTS OF FIDUCIARY NET ASSETS
AS OF MAY 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash on deposit		
Regular accounts	\$ 114,220	\$ 93,930
Restricted accounts	100,763	39,821
Due from governmental activities - general fund	<u>2,716</u>	<u>52,520</u>
 Total assets	 <u>\$ 217,699</u>	 <u>\$ 186,271</u>
Due to governmental activities - general fund	\$ 8,273	\$ 13,273
Other liabilities	<u>209,426</u>	<u>172,998</u>
 Total liabilities	 <u>\$ 217,699</u>	 <u>\$ 186,271</u>

CITY OF OLEAN, NEW YORK
RECONCILIATION OF GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF MAY 31, 2009

Total fund balance - governmental funds \$ (1,910,474)

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

Cost of the assets	\$ 58,054,558	
Accumulated depreciation	(20,490,512)	
	<hr/>	37,564,046

Long-term asset, related to other post employment benefits are not recognized in governmental funds until available, whereas such assets are recognized in the government-wide statements when earned 13,385

Interest on long-term assets is not accrued in governmental funds, but rather is recognized as an expenditure when due. (157,000)

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

Due to other governments - Constitution Avenue note, net	(58,213)	
NYS Environmental Facilities Corporation Bond	(6,240,000)	
Serial Bonds payable	(8,634,000)	
Environmental liability	(663,000)	
Other liabilities - software	(94,500)	
Retirement incentive	(553,208)	
Compensated absences	(485,027)	
	<hr/>	(16,727,948)

Total net assets - governmental liabilities \$ 18,782,009

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
Assets				
Cash on hand	\$ 1,348	\$ -	\$ -	\$ 1,348
Cash on deposit				
Regular accounts	20,155,273	-	-	20,155,273
Receivables				
Refuse and garbage	1,004	-	-	1,004
Special assessment	9,648	-	-	9,648
Accounts receivable	1,586,758	-	-	1,586,758
Due from other funds	648,959	-	(640,686)	8,273
Advances to other funds	632,900	-	(632,900)	-
State, Federal and other governments	1,334,191	84,406	-	1,418,597
Revolving loans receivable	450,743	-	-	450,743
First Time Homebuyers loans receivable	145,730	-	-	145,730
Rehabilitation loans receivable	8,461	-	-	8,461
Other assets - OPEB	-	13,385	-	13,385
Capital Assets, net	-	37,564,046	-	37,564,046
Total assets	<u>\$ 24,975,015</u>	<u>\$ 37,661,837</u>	<u>\$ (1,273,586)</u>	<u>\$ 61,363,266</u>
Liabilities				
Accounts payable	\$ 1,636,698	\$ -	\$ -	\$ 1,636,698
Accrued liabilities	781,186	157,000	(224,921)	713,265
Due to other funds	643,402	-	(640,686)	2,716
Advances from other funds	632,900	-	(632,900)	-
Due to other governments	-	142,619	-	142,619
Due to employee retirement system	155,833	-	-	155,833
Other liabilities	38,595	-	(79)	38,516
Deferred revenue	5,250,938	-	-	5,250,938
Revenue anticipation notes payable	2,800,000	-	-	2,800,000
Bond anticipation notes payable	14,945,937	-	-	14,945,937
NYS EFC note	-	6,240,000	-	6,240,000
Serial bonds payable	-	8,634,000	-	8,634,000
Environmental liability	-	663,000	225,000	888,000
Other liabilities - software	-	94,500	-	94,500
Retirement incentive	-	553,208	-	553,208
Compensated absences	-	485,027	-	485,027
Total liabilities	<u>26,885,489</u>	<u>16,969,354</u>	<u>(1,273,586)</u>	<u>42,581,257</u>
Fund equity (deficit)/net assets	<u>(1,910,474)</u>	<u>20,692,483</u>	<u>-</u>	<u>18,782,009</u>
Total liabilities and fund equity/net assets	<u>\$ 24,975,015</u>	<u>\$ 37,661,837</u>	<u>\$ (1,273,586)</u>	<u>\$ 61,363,266</u>

CITY OF OLEAN, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2009

Total net change in fund balances - governmental funds \$ (573,422)

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

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

Capital outlays	\$ 5,245,598	
Depreciation expense	<u>(1,429,795)</u>	3,815,803

Payments made on Catch Basin Disconnect Project are reported in governmental funds as expenditures. However, in the statement of activities, these expenditures are applied against the environmental liability reported on the statement of net assets. 98,000

Repayment of bond principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,089,544

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus required the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 12,000

In the statement of activities, certain operating expenses - compensated absences (vacation and sick days) and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. 290,732

Change in net assets of governmental activities \$ 4,732,657

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Total
Revenues					
Real property taxes	\$ 6,390,786	\$ -	\$ -	\$ -	\$ 6,390,786
Special assessment tax - real property	2,283	-	-	-	2,283
Real property tax items	286,262	-	-	-	286,262
Non-property tax items	4,566,227	-	-	-	4,566,227
Departmental income	7,373,590	-	-	(7,373,590)	-
Intergovernmental charges	457,087	-	(13,736)	(443,351)	-
Use of money and property	127,285	-	-	(6,382)	120,903
Licenses and permits	77,909	-	-	(77,909)	-
Fines and forfeitures	95,920	-	-	(95,920)	-
Sales of property and compensation for loss	91,845	-	-	(49,904)	41,941
Miscellaneous local sources	76,915	-	-	(76,915)	-
State aid	3,170,235	-	-	(685,128)	2,485,107
Federal aid	1,955,316	-	-	(1,955,316)	-
Total revenues	24,671,660	-	(13,736)	(10,764,415)	13,893,509
Expenditures/Expenses					
General government support	3,798,738	(1,434,699)	(13,118)	(791,713)	1,559,208
Public safety	5,534,121	96,407	(47,918)	(350,696)	5,231,914
Health	73,994	6,195	-	(688,241)	(608,052)
Transportation	2,730,571	(947,519)	(16,041)	(1,076,463)	690,548
Economic development	15,000	1,140	-	(9,670)	6,470
Culture and recreation	1,027,230	26,587	(24,527)	(269,673)	759,617
Home and community services	6,284,915	(1,563,914)	(113,278)	(6,318,844)	(1,711,121)
Employee benefits	3,715,291	-	(173,850)	(1,111,496)	2,429,945
Debt service:					
Principal	1,103,280	-	(1,103,280)	-	-
Interest	961,942	-	(12,000)	(147,619)	802,323
Total expenditures/expenses	25,245,082	(3,815,803)	(1,504,012)	(10,764,415)	9,160,851
Excess (deficiency) of revenue over expenditures	(573,422)	3,815,803	1,490,276	-	4,732,657
Other sources and uses					
Operating transfers in	2,018,567	-	-	(2,018,567)	-
Operating transfers out	(2,018,567)	-	-	2,018,567	-
Total other sources (uses)	-	-	-	-	-
Net change for the year	\$ (573,422)	\$ 3,815,803	\$ 1,490,276	-	\$ 4,732,657

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

The City of Olean Housing Authority was created in 1969 and the Olean Urban Renewal Agency was created in 1966, both by acts of the New York State Legislature. The Mayor appoints their governing boards. The City government provides no subsidies nor is it responsible for debt or operating deficits of these entities. The City government does not appoint management nor does it approve the entities' budgets, contracts or hiring of staff. The Common Council may approve or disapprove wage rates of the Housing Authority. The City government has no other oversight responsibility for funds of these entities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

1. Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the City's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

2. Fund Financial Statements

The fund statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

3. Fund Categories

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

3. Fund Categories (continued)

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

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

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

C. Basis of Accounting / Measurement Focus

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

D. Property Taxes

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

E. Cash and Cash Equivalents

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

F. Fund Equity - Reservations and Designations

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

1. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fund Equity - Reservations and Designations (continued)

2. 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.

3. Unreserved

Debt Service Fund - The amount of \$- has been designated as the amount estimated to be appropriated to offset debt service payments of the City of Olean during the 2009-10 fiscal year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Budgetary Data

1. Budget Policies - The budget policies are as follows:

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

G. Budgetary Data (continued)

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

	<u>June 1, 2008 Fund Equity</u>	<u>Revenues and Other Sources</u>	<u>Expenditures and Other Uses</u>	<u>May 31, 2009 Fund Equity</u>
Total for funds included in Budget Comparison	\$ 313,918	\$ 6,189,186	\$ 5,543,376	\$ 959,728
Funds not included in budget comparison:				
Revolving Loan Fund	21,055	873,747	847,661	47,141
First Time Homebuyers Fund	55,479	27,205	38,293	44,391
Housing Rehabilitation Fund	20,256	461	1,836	18,881
Total Special Revenue Funds	<u>\$ 410,708</u>	<u>\$ 7,090,599</u>	<u>\$ 6,431,166</u>	<u>\$ 1,070,141</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenue Recognition

1. Sales and Use Taxes

The State of New York allocates a portion of its sales and use tax collection to all the municipalities within the State. The portion allocated to the City of Olean for 2008-2009 was \$4,143,895 as compared to \$4,008,809 for the prior fiscal year, an increase of \$135,086. The City's General Fund Balance Sheet, as of May 31, 2009, reflects a receivable balance from Federal and State governments of \$679,901, of which, \$572,352 represents an amount of sales and use tax that is "measurable and available" at the end of the fiscal year in accordance with the modified accrual basis of accounting, for sales tax revenue. The City records this amount as non-property tax revenue in the general fund.

I. Capital Assets

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Deferred Revenue

Deferred revenue is reported on the City's combined balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

K. Compensated Absences

Sick leave and Comp Time Pay - certain of the City's employee groups have negotiated benefits payable based on accumulated unused sick and comp days. Generally the employee must have accumulated minimum years of service with the City and must be eligible for retirement under the provisions of either the employee retirement systems. The City has recorded an estimated liability in the government-wide financial statements as of May 31, 2009 amounting to \$485,027 to recognize the cost of the benefits for those employees eligible to receive such benefits. Payment of these benefits is dependent on many factors; therefore, the timing of future payments is not readily determinable. The City believes sufficient resources and budgetary appropriations will be available as the benefits become payable in future years. The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental-wide financial statements.

L. Retirement Incentives

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Estimates

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

N. Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

O. Interfund Activity

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

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

P. Total Columns on the Financial Statements

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

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)

A. Total Fund Equity of Governmental Funds vs. Net Assets of Governmental Activities

Total fund equity of the City's governmental funds differs from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

B. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of three broad categories, which are summarized below.

1. Long-term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when they are considered "measurable" and "available", whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Cash and Investments

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

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. While the City does not have a specific policy with regards to custodial credit risk, New York State statutes govern the City's investment policies. At May 31, 2009, the City's bank deposits were fully collateralized.

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

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, 2009 per the bank were approximately \$19,983,000. These deposits are categorized as follows:

Category 1	Category 2	Category 3	Carrying Value
\$ 500,000	\$ 19,483,000	\$ -	\$19,983,000

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Capital Assets

Governmental activities:	Beginning Balance 5/31/08	Additions / Transfers	Ending Balance 5/31/09
Capital assets that are not depreciated:			
Land	\$ 553,070		\$ 553,070
Construction in progress	2,111,162	\$ 3,822,433	5,933,595
Capital assets that are depreciated:			
Buildings and improvements	44,431,935	393,710	44,825,645
Furniture and equipment	2,869,592	(193,811)	2,675,781
Vehicles	4,737,333	(670,866)	4,066,467
Total historical cost	54,703,092	\$ 3,351,466	58,054,558
Less:			
Accumulated depreciation:	21,674,213	\$ (1,183,701)	20,490,512
Total net book value	\$ 33,028,879		\$ 37,564,046
Depreciation expense:			
General governmental support		\$ 296,836	
Public safety		389,655	
Health		6,452	
Transportation		200,291	
Economic development		1,140	
Culture and recreation		65,127	
Home and community services		470,294	
		\$ 1,429,795	

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(continued)

A. Assets (continued)

3. Receivables

Receivables at May 31, 2009 consisted of the following, which are stated at net realizable value. The City's management has deemed the amounts to be fully collectible.

Fund	Description	Amount
General Fund	Due from Federal & State - Other	\$ 107,549
General Fund	Due from Federal & State - NYS sales tax	572,352
General Fund	Other receivables	186,947
Special Revenue:		
Water Fund	Accounts receivable - water rents and meter	745,625
Sewer Fund	Accounts receivable - sewer rents	664,840
Community Development:		
Revolving Loan	Loan receivable	450,743
1 st Time Home	Loan receivable	145,730
Housing Rehab	Loan receivable	8,461
Capital Projects	Due from Federal & State - various projects	654,290
		<u>\$3,536,537</u>

B. Liabilities

1. Deferred Revenue

Deferred revenue at May 31, 2009 was as follows:

	General Fund	Special Revenue Fund
Real property taxes	\$ 4,511,787	
Payment in-lieu of taxes	124,571	
Special assessment taxes	9,648	
Revolving loans		\$ 450,743
Housing Rehab		8,461
1 st Time Home		145,728
	<u>\$ 4,646,006</u>	<u>\$ 604,932</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS
(continued)

B. Liabilities (continued)

1. Deferred Revenues (continued)

Deferred real property taxes reflect collections during May 2009 for real property taxes levied on May 1 for the 2009-2010 fiscal year. Deferred special assessment taxes consist of levies on property owners to be collected after May 31, 2009. 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 Description

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plans (continued)

b. Funding Policy

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

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

		<u>ERS</u>	<u>PFRS</u>
May 31,	2009	288,915	584,893
	2008	322,212	566,660
	2007	514,789	645,009

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 \$88,500 annually to this Fund, which commenced during the 2002-2003 fiscal year.

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

3. Other Post-Employment Benefits

Plan Description

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

3. Other Post-Employment Benefits (continued)

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities. For the year ended May 31, 2009 the City contributed approximately \$182,274 for plan benefits and Medicare-B reimbursements. Plan members receiving benefits contributed approximately \$0 for co-payments and other required contributions.

Annual OPEB Cost and Net OPEB Obligation

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

The following table summarizes the City's annual OPEB cost for 2009, the amount actually contributed to the Plan, and the changes in the City's net OPEB obligation (asset):

Normal Cost	\$ 7,273
Amortization of unfunded actuarial accrued liability	161,616
Interest adjustment	-
Annual required contribution adjustment	-
Annual OPEB cost (expense)	<u>168,889</u>
Contributions made	<u>(182,274)</u>
Increase in net OPEB obligation/(asset)	(13,385)
Net OPEB obligation/(asset) – beginning of year	-
Net OPEB obligation/(asset)-end of year	<u><u>\$(13,385)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/09	\$ 168,889	107.9%	\$ (13,385)

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

3. Other Post-Employment Benefits (continued)

Funding Status and Funding Progress

As of June 30, 2009, the actuarial accrued liability for benefits was \$1,336,369, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was \$0 and the ratio of unfunded actuarial liability to the covered payroll was 0% as the actuarial accrued liability was related to retirees of the City.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual ARC of the City are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The schedule of funding progress is intended to present multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities of benefits. As of June 30, 2009, the City has had only one actuarial valuation performed, therefore, information from previous years was not available.

Actuarial Methods and Assumptions

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

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

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

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

3. Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions

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

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

Amortization - The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over thirty years. The remaining amortization period as of June 30, 2009 was 9 years.

4. Short-Term Debt

a. Bond Anticipation Notes

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

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

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

4. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

On August 14, 2008, the *City of Olean, New York* issued bond anticipation notes, 2008 (various purposes) in the amount of \$2,370,000. The notes are dated August 14, 2008 with a maturity date of August 13, 2009 and were issued without the option of prepayment. The notes carry an interest rate of 3.23% and were issued to finance the following projects:

Sanitary sewer system improvements (odor control)	\$ 460,000
Sewer system (catch basin) improvements	1,270,000
Phase II modifications of wastewater Treatment plant (odor control)	340,000
Improvements to various City buildings (roof reconstruction)	300,000
	<u>\$ 2,370,000</u>

On September 25, 2008, the *City of Olean, New York* issued bond anticipation notes in the amount of \$4,330,937. The notes were in the amounts of \$1,000,000, \$2,000,000, and \$1,330,937 and carry interest of 3.12%, 3.83% and 4.03%, respectively. The notes are scheduled to mature on September 24, 2009. Proceeds from the notes in the amount of \$1,300,000 were utilized to fund the Two Mile Creek Project, with the remaining \$3,030,937 used to pay down a portion of the deficit financing bond anticipation notes that matured on September 25, 2008. The City paid the balance (\$1,269,063) of the \$4,300,000 deficit financing bond anticipation notes that matured on September 25, 2008 from funds on hand.

On February 18, 2009, the *City of Olean, New York* issued bond anticipation notes in the amount of \$8,245,000. The notes were in the amounts of \$4,000,000 and \$4,245,000. The notes carry interest of 2.5% and 2.6% respectively. The notes are scheduled to mature on September 24, 2009. Proceeds from the notes in the amount of \$3,700,000 will be utilized to fund the Two Mile Sewer Project, with the remaining \$4,545,000 utilized to fund the Energy Performance Contract.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

4. Short-Term Debt (continued)

a. Bond Anticipation Notes (continued)

The City's bond anticipation notes outstanding as of May 31, 2009 are as follows:

Description	Amount	Interest Rate
Sanitary Sewer System	\$ 1,270,000	3.23%
Sewer Improvements	460,000	3.23%
Odor Control WTP	340,000	3.23%
Roof Construction	300,000	3.23%
Energy Performance Contract	4,545,000	Various
Two Mile Creek Deficit Financing –	5,000,000	Various
General Fund	2,340,023	Various
Deficit Financing –		
Water Fund	109,584	Various
Deficit Financing –		
Sewer Fund	317,413	Various
Deficit Financing- Capital Fund	263,917	Various
	<u>\$14,945,937</u>	
Totals		

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.

On August 14, 2008, the *City of Olean, New York* issued a revenue anticipation note in the amount of \$2,800,000 in anticipation of the receipt of revenues in the form of sales tax and State aid by the City during the fiscal year commencing June 1, 2008 and ending May 31, 2009. This note carries an interest rate of 3.56% and matures on August 13, 2009. The revenue anticipation note is noncallable.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

4. Short-Term Debt (continued)

b. Revenue Anticipation Notes (continued)

The City revenue anticipation note outstanding as of May 31, 2009 is as follows:

Description	Amount	Interest Rate	Budget Appropriation May 31, 2010
RAN	\$ 2,800,000	3.56%	\$ 99,404

c. Short-Term Debt Interest

Interest expense related to the bond anticipation notes amounted to \$296,765 during the fiscal year ended May 31, 2009 of which \$191,911, \$5,041, and \$99,183 was incurred in the general, water, and sewer funds, respectively. Interest expense related to the revenue anticipation note outstanding during the 2008-09 fiscal year amounted to \$139,223.

5. Long-Term Debt

a. Debt Limit

At May 31, 2009 the total outstanding indebtedness of the City aggregated \$32,763,000 (including bond anticipation notes and revenue anticipation notes). Of this amount, \$7,594,000 is subject to the constitutional debt limit and represented approximately 24.3% of its statutory debt limit.

b. Serial Bonds

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

5. Long-Term Debt

c. Other Long-Term Debt

In addition to the above long-term debt, the *City of Olean, New York* has a loan from New York State to finance the construction of Constitution Avenue. The balance of this loan at May 31, 2009 was \$142,619. Although the loan is in the City of Olean's name, the Towns of Allegany and Olean are responsible for 59% of the loan or \$84,406, which is recorded in due from other governments. Both the asset and liability are recorded in the government-wide financial statements.

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

During the fiscal year ended May 31, 2009, the City purchased new accounting software which will be paid over a three year period. As of May 31, 2009, the City had \$94,500 outstanding related to the purchase.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

5. Long-Term Debt (continued)

d. Summary Long-Term Debt

The following is a summary of bonds outstanding as of May 31, 2009:

	<u>Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding May 31, 2009</u>
General Fund					
Various Purpose	10/97	\$ 2,888,000	4.50%	10/11	\$ 370,000
Various Purpose	08/04	938,383	Various	08/14	315,500
Taxable Pension Bond	12/04	447,908	Various	12/09	90,000
Public Improvement Bond	08/06	1,160,000	Various	08/14	770,000
Special Revenue Funds					
Water Filtration Plant	03/03	2,790,591	Various	10/32	2,360,000
Water Filtration Plant	07/03	1,809,453	Various	07/23	1,430,000
Water Reservoir	07/03	4,665,163	Various	07/24	3,880,000
Water Filtration Plant	02/04	5,868,000	4.50%	02/39	5,479,000
Water Fund – Various	08/04	207,262	Various	08/14	67,500
Sewer Fund – Various	08/04	82,905	Various	08/14	27,000
Water Fund – Pension	12/04	73,816	Various	12/09	15,000
Sewer Fund – Pension	12/04	49,358	Various	12/09	10,000
Sewer Fund – Public Imp.	08/06	80,000	Various	08/14	60,000
Total					<u>\$ 14,874,000</u>

e. Changes

The following is a summary of changes in long-term liabilities for the period ended May 31, 2009:

	<u>Payable at June 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at May 31, 2009</u>
Bonds	\$ 3,875,000		\$ 720,000	\$ 3,155,000
EFC Grid Note/Bond	2,435,000		75,000	2,360,000
EFC Grid Bond	4,080,000		200,000	3,880,000
RD Bond	5,564,000		85,000	5,479,000
Subtotal	<u>15,954,000</u>		<u>1,080,000</u>	<u>14,874,000</u>
Due to Other				
Governments	165,899		23,280	142,619
Other liabilities – software		\$ 94,500		94,500
Environmental Liability	986,000		98,000	888,000
Retirement Incentive	799,813		246,605	553,208
Compensated Absences	515,769		30,742	485,027
	<u>2,467,481</u>		<u>398,627</u>	<u>2,162,354</u>
	<u>\$ 18,421,481</u>	<u>\$ 94,500</u>	<u>\$ 1,478,627</u>	<u>\$ 17,037,354</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

5. Long-Term Debt (continued)

f. Long-Term Debt Interest

Interest expense on long term indebtedness totaled \$526,585 for the year ended May 31, 2009, of which \$1,554 was recorded in the general fund, while \$525,031 was recorded in the debt service fund.

g. Maturity

The following table summarizes the City's future serial bond debt, Rural Development, EFC bond and due to other governments debt service requirements as of May 31, 2009:

Year Ending May 31	Total	Principal	Interest
2010	\$ 1,522,076	\$ 1,027,518	\$ 494,558
2011	1,373,237	911,750	461,487
2012	1,225,485	785,990	439,495
2013	1,056,958	641,232	415,726
2014	1,063,395	665,476	397,919
2015-2019	4,577,591	2,844,653	1,732,938
2020-2024	4,410,843	3,133,000	1,277,843
2025-2029	2,636,597	1,809,000	827,597
2030-2034	2,211,590	1,709,000	502,590
2035-2039	1,662,773	1,489,000	173,773
Total	\$21,740,545	\$ 15,016,619	\$ 6,723,926

C. Deferred Compensation Plan

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C. Deferred Compensation Plan (continued)

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

D. Fund Equity Reserves

The City's fund equity is comprised of:

1. Reserves

The City's fund equity includes reserves established for the following purposes:

Fund	Reservation Purposes	May 31, 2009
General Fund	Reserve for encumbrances	\$ 55,158
Water Fund	Reserve for encumbrances	57,541
Sewer Fund	Reserve for encumbrances	2,655
Debt Service	Reserve for debt	528,060
		\$ 643,414

2. Unreserved

a. General Fund

There are no amounts designated to reduce the taxes for the year ending May 31, 2010.

b. Debt Service Fund

There are no amounts designated to offset debt service payments of the **City of Olean, New York** during the 2009-10 fiscal year.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

E. Interfund Receivables, Payables and Transactions

Interfund receivables and payables at May 31, 2009 and interfund transactions during the fiscal year ended May 31, 2009 were as follows:

	Due From Other Funds	Due to Other Funds	Long-Term Advances Receivable	Long-Term Advances Payable	Interfund Revenue	Interfund Expenditures
General Fund	\$ -	\$ 332,084	\$ 632,900	\$ -	-	\$ 972,251
Capital Projects Fund	648,959	-	-	-	\$ 456,300	-
Agency Fund	2,716	8,273	-	-	-	-
Debt Service Fund	-	-	-	-	1,562,267	-
Sewer Fund	-	261,318	-	81,829	-	107,119
Water Fund	-	50,000	-	551,071	-	939,197
Totals	<u>\$ 651,675</u>	<u>\$ 651,675</u>	<u>\$ 632,900</u>	<u>\$ 632,900</u>	<u>\$ 2,018,567</u>	<u>\$ 2,018,567</u>

NOTE 4 – COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

General Information

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

B. Compensated Absences

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

C. Federal and State Audits

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

D. Litigation

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

NOTE 4 – COMMITMENTS AND CONTINGENCIES (continued)

D. Litigation (continued)

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

E. Employee Contracts

The City of Olean has four collective bargaining units. The contracts for the Police Patrol Unit and the Police Command Unit expire on May 31, 2010. The contract for the Civil Service Employees Association Unit will expire on May 31, 2011. The contract for the Olean Professional Fire Fighters Association expires on May 31, 2011.

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. During the 2000-01 fiscal year, the City prepared and forwarded this report to the DEC and is awaiting their response regarding the construction of the leachate collection and treatment system. The City has accrued \$125,000 as of May 31, 2009, for the estimated costs associated with this Order. It is not known at this time whether other remediation costs will be necessary.

NOTE 4 – COMMITMENTS AND CONTINGENCIES
(continued)

F. Environmental (continued)

The *City of Olean, New York* has negotiated a settlement with the Department of Environmental Conservation (DEC) regarding the City's wastewater treatment plant. The final Order on Consent includes a schedule of compliance which sets forth dates for various plans of action concerning the wastewater treatment plant and requires the City to complete and submit an assessment of its sanitary sewer system, pumping stations, and a wet weather operation plant. The *City of Olean, New York* submitted its plans for monitoring, maintenance and necessary remedial actions regarding the wastewater treatment plant with the assistance of their engineering consultants. These plans are based on the results of smoke testing which have taken place over the last three years. As part of the plan, the *City of Olean, New York* entered into a contract with its engineering consultants on May 28, 2003 for estimated costs of approximately \$1,326,000. An initial BAN of \$128,810 was issued in a previous fiscal year for the system engineering and design costs. On August 19, 2004, the City issued bond anticipation notes in the amount of \$2,705,000 of which \$700,000 was designated for the first two phases of this project. On August 19, 2005 the City issued an additional BAN in the amount of \$700,000 for the last phases of this project. In 2006 the City completed a new master plan for the waste water system and submitted the plan to the DEC for their review. The plan has not been approved by the DEC as of the financial statement date.

In a prior year, the City accrued \$1,500,000 in the statement of net assets as an estimate of the cost of remedial actions; this liability has been reduced by related costs incurred during the current and prior years and as of May 31, 2009, the estimated liability stands at \$763,000.

G. Retirement Incentives

In a December 2006, the *City of Olean, New York* offered retirement incentives to certain employees. Employees whom participated in the incentive were eligible to receive continuation of health coverage for five years or a cash alternative. Total accumulated costs associated with the incentive approximated \$995,000, of which \$588,000 was paid during prior fiscal years. The remaining \$407,000 was recognized as a liability in the Statement of Net Assets. Future payments related to the incentive are as follows:

NOTE 4 – COMMITMENTS AND CONTINGENCIES
(continued)

G. Retirement Incentives (continued)

Year Ending May 31	Incentive
2010	\$ 143,000
2011	158,000
2012	82,000
2013	4,000
2014-2020	20,000
Total	<u>\$ 407,000</u>

In 2007-08, the *City of Olean, New York* offered a second retirement incentive to all eligible employees. Employees whom participated in the incentive were eligible to receive a lump sum payment on the date of retirement for the employees' earned unused vacation time and a cash incentive to be paid in equal installments over the next 3 years. Total accumulated costs associated with the incentive approximated \$300,000, of which \$154,000 has been paid through the fiscal year ending May 31, 2009. The remaining \$146,000 was recognized as a liability in the Statement of Net Assets. Future payments related to the incentive are as follows:

Year Ending May 31	Incentive
2010	\$ 73,000
2011	73,000
Total	<u>\$ 146,000</u>

NOTE 5 – FUND BALANCE

Accumulated Deficits

The *City of Olean, New York's* capital project funds also had an accumulated deficit as of May 31, 2009 which totaled approximately \$4,296,000. It is not uncommon for municipalities to have deficit fund balances in the capital project fund as a result of short-term debt (bond anticipation notes) being recorded as liabilities until they are converted to long-term debt at which time such proceeds are recorded as other financing sources (revenue). As of May 31, 2009, the *City of Olean, New York* had certain projects (aircraft parking apron and East State bridge) that when closed out will have deficit fund balances. As a result, the City will be required to transfer funds from its general fund to eliminate the capital project deficits. Management is developing plans to alleviate these deficits in future years.

NOTE 6 – SUBSEQUENT EVENTS

On August 13, 2009, the *City of Olean, New York* issued bond anticipation notes, 2009 Series A (various purposes) in the amount of \$4,265,937. The notes are dated August 13, 2009 with a maturity date of August 12, 2010 and were issued without the option of prepayment. The notes carry an interest rate of 2.32% and were issued to finance the following projects:

Deficit Financing	\$ 2,680,937
Sewer system (catch basin) improvements	635,000
Improvements to various City buildings	675,000
Improvements to various City buildings (roof reconstruction)	<u>275,000</u>
	<u>\$ 4,265,937</u>

On August 13, 2009, the *City of Olean, New York* issued bond anticipation notes, 2009 Series B (various purposes) in the amount of \$8,870,000. The notes are dated August 13, 2009 with a maturity date of August 12, 2010 and were issued with the option of prepayment on any date on or after February 15, 2010. The notes carry an interest rate of 3.50% and were issued to finance the following projects:

Reconstruction and Construction of Sewer Improvements – Two Mile Sewer	\$ 5,000,000
Reconstruction and Construction of Water Improvements – City Water System	3,520,000
Reconstruction and construction of Sewer Improvements – City Sewer System	<u>350,000</u>
	<u>\$ 8,870,000</u>

On August 13, 2009, the *City of Olean, New York* issued serial bonds, 2009 A (various purposes) in the amount of \$905,000. The bonds are dated August 13, 2009 with a maturity date of August 1, 2019 and were issued without the option of prepayment. The first principal and interest payments are due on August 1, 2010. The bonds carry interest rates ranging from 1.5% to 4.75% and were issued to finance the following projects:

Sewer System (catch basin)	\$ 580,000
Wastewater treatment plan (odor control)	<u>325,000</u>
	<u>\$ 905,000</u>

NOTE 6 – SUBSEQUENT EVENTS (continued)

On August 13, 2009, the *City of Olean, New York* issued serial bonds, 2009 (Federally Taxable) in the amount of \$339,190. The bonds are dated August 13, 2009 with a maturity date of August 1, 2016 and were issued without the option of prepayment. The first principal and interest payments are due on August 1, 2010. The bonds carry an interest rate of 4.70% and were issued to redeem and retire outstanding bond anticipation notes of the City with an original principal amount of \$460,000 that was issued on August 14, 2008. The original purpose of the bond anticipation notes being redeemed was to finance improvements to the City sewer system.

On August 12, 2009, the *City of Olean, New York* entered into a municipal lease agreement with First Niagara Bank in the amount of \$411,623. The lease carries an interest rate of 3.39%. The initial lease payment is due August 12, 2009 and the lease is scheduled to mature on July 15, 2013. The municipal lease was executed to purchase a new sewer cleaner and street sweeper.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended May 31, 2009, the City had a full independent appraisal of its fixed assets. The new appraisal estimated the historical cost and accumulated depreciation of all fixed assets held by the by the City as of the date of the appraisal. The City restated its beginning net assets and fixed assets, net of depreciation to reflect the new appraisal. The effect of the prior period adjustment was a net increase to beginning governmental net assets in the amount of \$624,864.

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
GENERAL FUND
AS OF MAY 31, 2009 AND 2008

	May 31 2009	May 31 2008
<u>Assets</u>		
Cash on hand	\$ 1,308	\$ 1,308
Cash on deposit		
Regular accounts	10,817,825	10,052,400
Receivables		
Refuse and garbage	1,004	795
Special assessment	9,648	11,256
Accounts receivable	176,293	214,358
Due from other funds	-	2,716
Advances to other funds	632,900	641,496
State and federal	679,901	695,154
Total assets	\$ 12,318,879	\$ 11,619,483
<u>Liabilities and Fund Equity</u>		
Liabilities		
Accounts payable	\$ 216,484	\$ 180,150
Accrued liabilities	633,335	555,812
Due to other funds	332,084	83,858
Due to employee retirement system	133,333	148,333
Other liabilities	3,341	1,241
Deferred revenues	4,646,006	4,024,007
Revenue anticipation notes payable	2,800,000	3,500,000
Bond anticipation notes payable	2,767,020	4,036,082
Total liabilities	11,531,603	12,529,483
Fund Equity		
Reserved for encumbrances	55,158	147,784
Unreserved:		
Undesignated (deficit)	732,118	(1,057,784)
Total fund equity (deficit)	787,276	(910,000)
	\$ 12,318,879	\$ 11,619,483

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
GENERAL FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2009 AND 2008

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	May 31 2009	May 31 2008
Revenue		
Real property taxes	\$ 6,390,786	\$ 5,727,882
Special assessment tax - real property	2,283	2,380
Real property tax items	286,262	224,299
Non-property tax items	4,566,227	4,461,486
Departmental income	1,315,417	1,227,059
Intergovernmental charges	179,916	166,924
Use of money and property	106,448	163,542
Licenses and permits	77,909	52,183
Fines and forfeitures	95,920	108,336
Sales of property and compensation for loss	37,591	8,962
State aid	2,830,572	2,518,684
Total revenue	15,889,331	14,661,737
Expenditures		
General government support	2,022,468	2,129,951
Public safety	5,269,321	4,862,858
Health	73,994	84,904
Transportation	1,408,378	1,260,285
Economic development	15,000	15,000
Culture and recreation	1,027,230	857,033
Home and community services	121,809	103,745
Employee benefits	2,925,637	2,850,087
Debt service:		
Principal	23,280	23,050
Interest	332,687	216,146
Total expenditures	13,219,804	12,403,059
Excess of revenue over expenditures	2,669,527	2,258,678
Other financing uses		
Operating transfers out	(972,251)	(748,128)
Total other financing uses	(972,251)	(748,128)
Excess of revenue and other financing sources over expenditures and other financing uses	1,697,276	1,510,550
Fund equity (deficit), beginning of year	(910,000)	(2,420,550)
Fund equity (deficit), end of year	\$ 787,276	\$ (910,000)

**CITY OF OLEAN, NEW YORK
COMBINING BALANCE SHEET -
ALL SPECIAL REVENUE FUNDS
AS OF MAY 31, 2009**

	Community Development					(Memo only) Total
	Water	Sewer	Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
Assets						
Cash on hand	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ 40
Cash on deposit						
Regular accounts	475,738	166,598	82,395	18,881	44,389	788,001
Receivables						
Accounts receivable	745,625	664,840	-	-	-	1,410,465
Revolving loans receivable	-	-	450,743	-	-	450,743
First Time Homebuyers loans receivable	-	-	-	-	145,730	145,730
Rehabilitation loans receivable	-	-	-	8,461	-	8,461
Total assets	\$ 1,221,403	\$ 831,438	\$ 533,138	\$ 27,342	\$ 190,119	\$ 2,803,440
Liabilities						
Accounts payable	\$ 41,227	\$ 37,317	\$ -	\$ -	\$ -	\$ 78,544
Accrued liabilities	25,956	21,895	-	-	-	47,851
Due to other funds	50,000	261,318	-	-	-	311,318
Advances from other funds	551,071	81,829	-	-	-	632,900
Other liabilities/due to retirement systems	10,833	11,667	35,254	-	-	57,754
Deferred revenues	-	-	450,743	8,461	145,728	604,932
Total liabilities	679,087	414,026	485,997	8,461	145,728	1,733,299
Fund Equity						
Reserve for encumbrances	57,541	2,655	-	-	-	60,196
Unreserved:						
Undesignated	484,775	414,757	47,141	18,881	44,391	1,009,945
Total fund equity	542,316	417,412	47,141	18,881	44,391	1,070,141
Total liabilities and fund equity	\$ 1,221,403	\$ 831,438	\$ 533,138	\$ 27,342	\$ 190,119	\$ 2,803,440

CITY OF OLEAN, NEW YORK
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MAY 31, 2009

	Water	Sewer	Community Development			(Memo only) Total
			Revolving Loan Fund	Housing Rehabilitation Fund	First Time Homebuyers Fund	
Revenue						
Departmental income	\$ 3,295,503	\$ 2,604,199	\$ 131,266	\$ -	\$ 27,205	\$ 6,058,173
Intergovernmental charges	-	277,171	-	-	-	277,171
Use of money and property	-	-	459	461	-	920
Sales of property & compensation for loss	12,313	-	-	-	-	12,313
Federal aid	-	-	742,022	-	-	742,022
State aid	-	-	-	-	-	-
Total revenue	3,307,816	2,881,370	873,747	461	27,205	7,090,599
Expenditures						
General government support	76,210	70,000	-	-	-	146,210
Home and community services	1,730,708	1,626,264	847,661	1,836	38,293	4,244,762
Employee benefits	402,018	387,636	-	-	-	789,654
Debt service - interest expense	5,041	99,183	-	-	-	104,224
Total expenditures	2,213,977	2,183,083	847,661	1,836	38,293	5,284,850
Excess (deficiency) of revenue over expenditures	1,093,839	698,287	26,086	(1,375)	(11,088)	1,805,749
Other financing sources (uses)						
BANs redeemed from appropriations	-	(100,000)	-	-	-	(100,000)
Operating transfers out	(939,197)	(107,119)	-	-	-	(1,046,316)
Total financing sources (uses)	(939,197)	(207,119)	-	-	-	(1,146,316)
Excess (deficiency) of revenue over expenditures and other financing uses	154,642	491,168	26,086	(1,375)	(11,088)	659,433
Fund equity (deficit), beginning of year	387,674	(73,756)	21,055	20,256	55,479	410,708
Fund equity, end of year	\$ 542,316	\$ 417,412	\$ 47,141	\$ 18,881	\$ 44,391	\$ 1,070,141

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SPECIAL REVENUE FUNDS
AS OF MAY 31, 2009 AND 2008

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	May 31	May 31
	2009	2008
Assets		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	788,001	220,475
Receivables		
Accounts receivable	1,410,465	1,377,591
Revolving loans receivable	450,743	454,973
First time homebuyers loans receivable	145,730	149,716
Rehabilitation loans receivable	8,461	8,743
Total assets	\$ 2,803,440	\$ 2,211,538
Liabilities		
Accounts payable	\$ 78,544	\$ 171,738
Accrued liabilities	47,851	124,711
Due to other funds	311,318	195,321
Advances from other funds	632,900	641,496
Other liabilities/due to retirement systems	57,754	54,135
Deferred revenues	604,932	613,429
Total liabilities	1,733,299	1,800,830
Fund Equity		
Reserve for encumbrances	60,196	74,000
Unreserved:		
Undesignated	1,009,945	336,708
Total fund equity	1,070,141	410,708
Total liabilities and fund equity	\$ 2,803,440	\$ 2,211,538

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEARS ENDED MAY 31, 2009 AND 2008

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	May 31	May 31
	2009	2008
Revenue		
Departmental income	\$ 6,058,173	\$ 5,941,824
Intergovernmental charges	277,171	172,522
Use of money and property	920	688
Sales of property and compensation for loss	12,313	23,873
Federal aid	742,022	-
State aid	-	4,504
Total revenue	7,090,599	6,143,411
Expenditures		
General government support	146,210	126,094
Home and community services	4,244,762	3,253,137
Employee benefits	789,654	742,483
Debt service - interest expense	104,224	90,321
Total expenditures	5,284,850	4,212,035
Excess of revenue over expenditures	1,805,749	1,931,376
Other financing sources (uses)		
Uncollectable loan writeoffs	-	(18,675)
BANs redeemed from appropriations	(100,000)	(100,000)
Operating transfers out	(1,046,316)	(999,964)
Total other financing sources (uses)	(1,146,316)	(1,118,639)
Excess of revenue and other financing sources over expenditures and other financing uses	659,433	812,737
Fund equity (deficit), beginning of year	410,708	(402,029)
Fund equity, end of year	\$ 1,070,141	\$ 410,708

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
WATER FUND
AS OF MAY 31, 2009 AND 2008

	May 31 2009	May 31 2008
Assets		
Cash on hand	\$ 40	\$ 40
Cash on deposit		
Regular accounts	475,738	45,732
Accounts receivable	745,625	787,557
Total assets	\$ 1,221,403	\$ 833,329
Liabilities		
Accounts payable	\$ 41,227	\$ 77,863
Accrued liabilities	25,956	70,204
Due to other funds	50,000	-
Advances from other funds	551,071	283,421
Other liabilities/due to retirement systems	10,833	14,167
Total liabilities	679,087	445,655
Fund Equity		
Reserve for encumbrances	57,541	20,000
Unreserved:		
Undesignated	484,775	367,674
Total fund equity	542,316	387,674
Total liabilities and fund equity	\$ 1,221,403	\$ 833,329

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - WATER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2009 AND 2008

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	May 31 2009	May 31 2008
Revenue		
Departmental income	\$ 3,295,503	\$ 3,505,782
Sales of property and compensation for loss	12,313	23,873
Total revenue	3,307,816	3,529,655
Expenditures		
General government support	76,210	66,094
Home and community services	1,730,708	1,592,749
Employee benefits	402,018	382,814
Debt service - interest expense	5,041	-
Total expenditures	2,213,977	2,041,657
Excess of revenue over expenditures	1,093,839	1,487,998
Other financing sources (uses)		
Operating transfers out	(939,197)	(964,811)
Total other financing uses	(939,197)	(964,811)
Excess of revenue and other financing sources over expenditures and other financing uses	154,642	523,187
Fund equity (deficit), beginning of year	387,674	(135,513)
Fund equity, end of year	\$ 542,316	\$ 387,674

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - WATER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2009

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Departmental income	\$ 3,288,500	\$ 3,288,500	\$ 3,295,503	\$ -	\$ 7,003
Sales of property and compensation for loss	60,000	60,000	12,313	-	(47,687)
Total revenue	3,348,500	3,348,500	3,307,816	-	(40,684)
Expenditures					
General government support	126,200	85,900	76,210	-	9,690
Home and community services	1,902,808	1,911,808	1,730,708	57,541	123,559
Employee benefits	423,221	424,521	402,018	-	22,503
Debt service - interest expense	5,041	5,041	5,041	-	-
Total expenditures	2,457,270	2,427,270	2,213,977	57,541	155,752
Excess (deficiency) of revenue over expenditures	891,230	921,230	1,093,839	(57,541)	115,068
Other financing uses					
Operating transfers out	(889,492)	(939,492)	(939,197)	-	295
Total other financing uses	(889,492)	(939,492)	(939,197)	-	295
Excess (deficiency) of revenue over expenditures and other financing uses	\$ 1,738	\$ (18,262)	\$ 154,642	\$ (57,541)	\$ 115,363

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
SEWER FUND
AS OF MAY 31, 2009 AND 2008

	May 31 2009	May 31 2008
Assets		
Cash	\$ 166,598	\$ 44,655
Accounts receivable	664,840	590,034
Total assets	\$ 831,438	\$ 634,689
Liabilities		
Accounts payable	\$ 37,317	\$ 93,875
Accrued liabilities	21,895	54,507
Advances from other funds	81,829	358,075
Due to other funds	261,318	190,321
Other liabilities/due to other governments	11,667	11,667
Total liabilities	414,026	708,445
Fund Equity (deficit)		
Reserve for encumbrances	2,655	54,000
Unreserved:		
Undesignated (deficit)	414,757	(127,756)
Total fund equity (deficit)	417,412	(73,756)
Total liabilities and fund equity	\$ 831,438	\$ 634,689

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - SEWER FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2009 AND 2008

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	May 31 2009	May 31 2008
Revenue		
Departmental income	\$ 2,604,199	\$ 2,266,471
Intergovernmental charges	277,171	172,522
State aid	-	4,504
Total revenue	2,881,370	2,443,497
Expenditures		
General government support	70,000	60,000
Home and community services	1,626,264	1,526,284
Employee benefits	387,636	359,669
Debt service - interest expense	99,183	90,321
Total expenditures	2,183,083	2,036,274
Excess of revenue over expenditures	698,287	407,223
Other financing sources (uses)		
BANs redeemed from appropriations	(100,000)	(100,000)
Operating transfers out	(107,119)	(35,153)
Total other financing sources	(207,119)	(135,153)
Excess of revenue and other financing sources over expenditures and other financing uses	491,168	272,070
Fund equity (deficit), beginning of year	(73,756)	(345,826)
Fund equity (deficit), end of year	\$ 417,412	\$ (73,756)

CITY OF OLEAN, NEW YORK
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - SEWER FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2009

	Original Budget	Amended Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Revenue					
Departmental income	\$ 2,478,650	\$ 2,478,650	\$ 2,604,199	\$ -	\$ 125,549
Intergovernmental charges	200,000	200,000	277,171	-	77,171
State aid	5,000	5,000	-	-	(5,000)
Total revenue	2,683,650	2,683,650	2,881,370	-	197,720
Expenditures					
General government support	220,000	80,975	70,000	-	10,975
Home and community services	1,838,628	1,956,653	1,626,264	2,655	327,734
Employee benefits	386,320	386,320	387,636	-	(1,316)
Debt service - interest expense	12,865	12,865	99,183	-	(86,318)
Total expenditures	2,457,813	2,436,813	2,183,083	2,655	251,075
Excess (deficiency) of revenue over expenditures	225,837	246,837	698,287	(2,655)	448,795
Other financing sources (uses)					
BANs redeemed from appropriations	-	-	(100,000)	-	(100,000)
Operating transfers out	(218,438)	(293,438)	(107,119)	-	186,319
Total other financing sources (uses)	(218,438)	(293,438)	(207,119)	-	86,319
Excess (deficiency) of revenue over expenditures and other financing uses	\$ 7,399	\$ (46,601)	\$ 491,168	\$ (2,655)	\$ 535,114

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
REVOLVING LOAN FUND
AS OF MAY 31, 2009 AND 2008

	May 31 2009	May 31 2008
Assets		
Cash on deposit		
Regular accounts	\$ 82,395	\$ 49,356
Rehabilitation loans receivable	450,743	454,973
Total assets	\$ 533,138	\$ 504,329
Liabilities		
Deferred revenues	\$ 450,743	\$ 454,973
Due to other agency	35,254	28,301
Total liabilities	485,997	483,274
Fund Equity		
Unreserved:		
Undesignated	47,141	21,055
Total fund equity	47,141	21,055
Total liabilities and fund equity	\$ 533,138	\$ 504,329

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - REVOLVING LOAN FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2009 AND 2008

	May 31 2009	May 31 2008
Revenue		
Departmental income	\$ 131,266	\$ 111,446
Use of money and property	459	178
Federal aid	742,022	-
Total revenue	873,747	111,624
Expenditures		
Home and community services	847,661	111,678
Total expenditures	847,661	111,678
Excess (deficiency) of revenue over expenditures and other uses	26,086	(54)
Fund equity, beginning of year	21,055	21,109
Fund equity, end of year	\$ 47,141	\$ 21,055

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
HOUSING REHABILITATION FUND
AS OF MAY 31, 2009 AND 2008

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	<u>May 31</u> <u>2009</u>	<u>May 31</u> <u>2008</u>
Assets		
Cash on deposit		
Regular accounts	\$ 18,881	\$ 20,256
Rehabilitation loans receivable	8,461	8,743
Total assets	<u>\$ 27,342</u>	<u>\$ 28,999</u>
Liabilities		
Deferred revenues	\$ 8,461	\$ 8,743
Total liabilities	<u>8,461</u>	<u>8,743</u>
Fund Equity		
Unreserved:		
Undesignated	18,881	20,256
Total fund equity	<u>18,881</u>	<u>20,256</u>
Total liabilities and fund equity	<u>\$ 27,342</u>	<u>\$ 28,999</u>

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - HOUSING REHABILITATION FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2009 AND 2008

	May 31 2009	May 31 2008
Revenue		
Departmental income	\$ -	\$ 15,857
Use of money and property	461	342
Total revenue	461	16,199
Expenditures		
Home and community services	1,836	-
Total expenditures	1,836	-
Excess (deficiency) of revenue over expenditures	(1,375)	16,199
Other financing uses		
Bad debt expense	-	(14,750)
Total other financing uses	-	(14,750)
Excess (deficiency) of revenue over expenditures and other uses	(1,375)	1,449
Fund equity, beginning of year	20,256	18,807
Fund equity, end of year	\$ 18,881	\$ 20,256

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
FIRST TIME HOMEBUYERS PROGRAM
AS OF MAY 31, 2009 AND 2008

	May 31 2009	May 31 2008
Assets		
Cash on deposit		
Regular accounts	\$ 44,389	\$ 60,476
First time homebuyers loans receivable	145,730	149,716
Total assets	\$ 190,119	\$ 210,192
Liabilities		
Deferred revenue	\$ 145,728	\$ 149,713
Due to other funds	-	5,000
Total liabilities	145,728	154,713
Fund Equity		
Unreserved:		
Undesignated	44,391	55,479
Total fund equity	44,391	55,479
Total liabilities and fund equity	\$ 190,119	\$ 210,192

CITY OF OLEAN, NEW YORK**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - FIRST TIME HOMEBUYERS PROGRAM
FOR THE FISCAL YEARS ENDED MAY 31, 2009 AND 2008****Page 54**

	May 31 2009	May 31 2008
Revenue		
Departmental income	\$ 27,205	\$ 42,268
Use of money and property	-	168
Total revenue	27,205	42,436
Expenditures		
Home and community services	38,293	22,426
Total expenditures	38,293	22,426
Excess (deficiency) of revenue over expenditures	(11,088)	20,010
Other financing uses		
Bad debt expense	-	(3,925)
Total other financing uses	-	(3,925)
Excess (deficiency) of revenue over expenditures and other uses	(11,088)	16,085
Fund equity, beginning of year	55,479	39,394
Fund equity, end of year	\$ 44,391	\$ 55,479

See accompanying independent auditors' report on supplementary information.

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND
AS OF MAY 31, 2009 AND 2008

	May 31	May 31
	2009	2008
Assets		
Cash on deposit		
Regular accounts	\$ 8,021,387	\$ 943,431
Due from Federal and State	654,290	658,643
Due from other funds	648,959	237,216
Total assets	\$ 9,324,636	\$ 1,839,290
Liabilities		
Accounts payable	\$ 1,341,670	\$ 678,044
Accrued liabilities/due to other governments	100,000	100,000
Bond anticipation notes payable	12,178,917	2,433,917
Total liabilities	13,620,587	3,211,961
Fund Equity		
Unreserved:		
Undesignated (deficit)	(4,295,951)	(1,372,671)
Total fund equity (deficit)	(4,295,951)	(1,372,671)
Total liabilities and fund equity	\$ 9,324,636	\$ 1,839,290

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - CAPITAL PROJECTS FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2009 AND 2008

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	May 31 2009	May 31 2008
Revenue		
Use of money and property	\$ 13,709	\$ 12,831
Miscellaneous local sources	76,915	88,752
Federal aid	1,213,294	1,480,794
State aid	339,663	1,051,527
Total revenue	1,643,581	2,633,904
Expenditures		
General government support	1,617,824	378,999
Public safety	264,800	26,858
Transportation	1,322,193	2,642,093
Home and community services	1,918,344	303,699
Total expenditures	5,123,161	3,351,649
Excess (deficiency) of revenue over expenditures	(3,479,580)	(717,745)
Other financing sources (uses)		
Bond anticipation notes redeemed from appropriations	100,000	100,000
Operating transfers in	456,300	67,500
Total other financing sources	556,300	167,500
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(2,923,280)	(550,245)
Fund equity (deficit), beginning of year	(1,372,671)	(332,914)
Residual equity transfer	-	(489,512)
Fund equity (deficit), end of year	\$ (4,295,951)	\$ (1,372,671)

See accompanying independent auditors' report on supplementary information.

CITY OF OLEAN, NEW YORK
BALANCE SHEET - CAPITAL PROJECTS FUND - BY PROJECT
AS OF MAY 31, 2009

Project Number	Description	Cash	Due from Federal & State	Due from Other Funds	Total Assets	Accounts Payable & Accrued Expenses	BAN's/ Notes Payable	Fund Equity (Deficit)	Total Liabilities & Fund Equity
29	CHIPS	\$ 45,264	\$ -	\$ 85,000	\$ 130,264	\$ -	\$ -	\$ 130,264	\$ 130,264
87	Landfill - Olean Airport	56,980	-	-	56,980	-	-	56,980	56,980
101	ALARM	21,226	-	50	21,276	-	-	21,276	21,276
102	Vehicle replacement	104,622	-	325,000	429,622	-	-	429,622	429,622
115	Airport/parallel taxiway	-	-	-	-	-	2,916	(2,916)	-
116	Fire arson equipment	11,471	-	-	11,471	-	-	11,471	11,471
117	Dispatch project	11,071	-	-	11,071	-	-	11,071	11,071
118	Ambulance reserve	20,706	-	5,713	26,419	-	-	26,419	26,419
120	Water filtration plant	-	-	-	-	-	249,229	(249,229)	-
121	East State bridge	(354,270)	349,433	-	(4,837)	-	-	(4,837)	(4,837)
123	Catch basin disconnect project	398,250	-	102,507	500,757	119,797	1,270,000	(889,040)	500,757
125	Main Street Bridge	38,941	-	-	38,941	-	-	38,941	38,941
127	Odor Control/air make-up units	1,999	-	83,811	85,810	-	800,000	(714,190)	85,810
130	Airport runway rehab. & lights	-	-	-	-	-	11,772	(11,772)	-
132	Parking lot maintenance program	27,885	-	578	28,463	-	-	28,463	28,463
133	Parking lots repaving & rehab	67,459	-	-	67,459	-	-	67,459	67,459
137	Telephone System	4,000	-	-	4,000	-	-	4,000	4,000
139	Airport Building Renovations	(48,293)	82,560	-	34,267	20,350	-	13,917	34,267
141	Aircraft Parking Apron	(255)	211,617	-	211,362	216,564	-	(5,202)	211,362
142	Roof Construction	27,219	-	46,300	73,519	-	300,000	(226,481)	73,519
143	Energy Audit	3,745,393	-	-	3,745,393	390,502	4,545,000	(1,190,109)	3,745,393
144	East Olean Sewer	(24,168)	-	-	(24,168)	18,665	-	(42,833)	(24,168)
145	Two Mile Sewer	3,869,454	-	-	3,869,454	664,551	5,000,000	(1,795,097)	3,869,454
146	Airport Master Plan	(3,567)	10,680	-	7,113	11,241	-	(4,128)	7,113
Totals		\$ 8,021,387	\$ 654,290	\$ 648,959	\$ 9,324,636	\$ 1,441,670	\$ 12,178,917	\$ (4,295,951)	\$ 9,324,636

CITY OF OLEAN, NEW YORK
SCHEDULE OF EXPENDITURES-
CAPITAL PROJECTS FUND - BY PROJECT
FOR THE FISCAL YEAR ENDED MAY 31, 2009

<i>Project</i>	<u>Amount</u>
CHIPS	\$ 119,404
Landfill - Olean Airport	10,800
Vehicle Replacement	517,935
Ambulance Reserve	264,800
East State Bridge	788,339
Catch basin disconnect project	98,025
Airport Building Renovations	52,439
Brownfield Opportunity Areas Program	24,121
Aircraft Parking Apron	235,237
Roof Construction	14,427
Energy Audit	1,085,462
East Olean Sewer	42,834
Two Mile Sewer	1,796,198
Airport Master Plan	73,140
	<hr/>
	\$ 5,123,161
	<hr/>

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
AS OF MAY 31, 2009 AND 2008

	<u>May 31</u> <u>2009</u>	<u>May 31</u> <u>2008</u>
Assets		
Cash on deposit		
Restricted regular accounts	\$ 528,060	\$ 534,911
Total assets	<u>\$ 528,060</u>	<u>\$ 534,911</u>
Liabilities		
Due to other funds	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Fund Equity		
Reserved for debt	528,060	529,911
Unreserved:		
Designated for subsequent year's expenditures	-	5,000
Total fund equity	<u>528,060</u>	<u>534,911</u>
Total liabilities and fund equity	<u>\$ 528,060</u>	<u>\$ 534,911</u>

CITY OF OLEAN, NEW YORK
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - DEBT SERVICE FUND
FOR THE FISCAL YEARS ENDED MAY 31, 2009 AND 2008

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	May 31	May 31
	2009	2008
Revenue		
Use of money and property	\$ 6,208	\$ 11,172
Sale of property & compensation for loss	41,941	-
Total revenue	48,149	11,172
Expenditures		
General government support	12,236	12,713
Debt service:		
Principal	1,080,000	1,084,000
Interest	525,031	583,879
Total expenditures	1,617,267	1,680,592
Excess (deficiency) of revenue over expenditures	(1,569,118)	(1,669,420)
Other financing sources		
Operating transfers in	1,562,267	1,680,592
Total other financing sources	1,562,267	1,680,592
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(6,851)	11,172
Fund equity, beginning of year	534,911	34,227
Residual equity transfer		489,512
Fund equity, end of year	\$ 528,060	\$ 534,911

CITY OF OLEAN, NEW YORK
COMPARATIVE BALANCE SHEETS
AGENCY FUND
AS OF MAY 31, 2009 AND 2008

	May 31		May 31
	2009		2008
Assets			
Cash on deposit			
Regular accounts	\$ 114,220	\$	93,930
Restricted accounts	100,763		39,821
Due from other funds	2,716		52,520
Total assets	\$ 217,699	\$	186,271
Liabilities			
Due to other funds	\$ 8,273	\$	13,273
Other liabilities	209,426		172,998
Total liabilities	\$ 217,699	\$	186,271

CITY OF OLEAN, NEW YORK
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND BALANCES - AGENCY FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2009

	Balance June 1, 2008	Receipts	Disbursements	Balance May 31, 2009
NYS Retirement	\$ -	\$ 54	\$ 54	\$ -
Hospitalization	971	384,458	383,785	1,643
US Savings Bonds	-	4,200	4,150	50
Charity - United Way	-	14	-	14
Guarantee & Bid Bonds	500	-	-	500
Guarantee & Bid deposits	1,519	3,014	-	4,533
Building Improvement Fund-HDCP	459	-	-	459
Children's Memorial Flower Grdn	439	-	81	358
Stadium Renovations / Donations	2,970	3,722	850	5,842
Y&R St. John's	5,019	1,063	63	6,019
Mayor's Cup Golf Tournament	4,279	6,584	5,434	5,429
Concession Stand	8,346	14,741	10,916	12,171
Bike Auction	2,142	650	-	2,792
Miscellaneous Recreation	5,794	10,755	8,601	7,948
Clerk Sales	675	800	704	771
Civil Service Exam Fees	1,766	-	-	1,766
Bartlett House Donations	9,903	298	98	10,103
Juvenile Police Donations	22	-	-	22
Police ERT	96	-	-	96
Police Drugs Donations	7,783	10,200	6,900	11,083
Police Federal Drug Proceeds	10,963	33	-	10,996
Youth Programs Donations	1,237	-	1,180	57
DARE	11,038	5,777	3,575	13,240
Community Policing	296	-	-	296
Youth Court Donations	10,555	-	-	10,555
Kids ID Kits	184	-	-	184
Tree Program	2,614	370	997	1,987
Interest & Service Charges	1,810	355	-	2,165
Benefit Fair	-	926	923	3
Fire Equipment Donations	2,549	590	-	3,139
Flexible Spending Account	(5,862)	27,866	30,277	(8,273)
Medical Savings Account	88,036	128,474	118,250	98,261
Payroll Account	(4,210)	9,477,722	9,469,129	4,383
Special Account	1,105	15,990	16,259	836
Totals	\$ 172,998	\$ 10,098,655	\$ 10,062,227	\$ 209,426

CITY OF OLEAN, NEW YORK
SCHEDULE OF FUNDING PROGRESS
AS OF MAY 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
January 1, 2008	-	\$ 1,340,000	\$ 1,340,000	-	-	N/A

See accompanying independent auditors' report on supplementary information.

CITY OF OLEAN, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2009

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Receivable (Deferred Revenue) 5/31/2008	Total Received	Revenue	Expenditures	Receivable (Deferred Revenue) 5/31/2009
<u>United States Department of Housing and Urban Development</u>								
Community Development Block Grant	14.228	841ED638-08	750,000	-	742,022	742,022	742,022	-
Subtotal U.S. Department of HUD			750,000	-	742,022	742,022	742,022	-
<u>United States Federal Aviation Administration/DOT</u>								
Airport Improvement Program Grant	20.106	FAA AIP No. 3-36-0091-10-06 NYS DOT PIN 5904.40	612,437	-	-	80,139	80,139	80,139
Airport Improvement Program Grant	20.106	FAA AIP No. 3-36-0091-11-07 NYS DOT PIN 5904.41	968,000	-	17,739	223,475	223,475	205,736
Airport Aviation Research Grant	20.108	FAA AIP No. 3-36-0091-12-08 NYS DOT PIN 5904.41	113,684	-	57,093	67,773	67,773	10,680
Subtotal U.S. Federal Aviation Administration			1,694,121	-	74,832	371,387	371,387	296,555
<u>United States Department of Transportation</u>								
Federal Aid & Marchiselli Aid Project	20.205	NYS DOT/D013563 PIN 5056.17	1,285,600	417,034	698,272	630,671	630,671	349,433
Subtotal U.S. Department of Transportation			1,285,600	417,034	698,272	630,671	630,671	349,433
<u>United States Department of Homeland Security</u>								
FEMA - Assist to Firefighters Grant	97.044	EMW-2007-FV-05135	222,353	-	211,236	211,236	211,236	-
Subtotal U.S. Department of Homeland Security			222,353	-	211,236	211,236	211,236	-
Total expenditures			\$ 3,952,074	\$ 417,034	\$ 1,726,362	\$ 1,955,316	\$ 1,955,316	\$ 645,988

Note 1 - Basis of Presentation

The accompanying Schedule of Federal Awards includes Federal grant activity of the City of Olean, New York and is presented on the modified accrual basis of accounting. The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore some amounts in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

SUPPLEMENTARY INFORMATION



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

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

We have audited the financial statements of the governmental activities and each major fund of the *City of Olean, New York* as of and for the year ended May 31, 2009, which collectively comprise the *City of Olean, New York's* basic financial statements and have issued our report thereon dated October 2, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *City of Olean, New York's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiency in internal control over financial reporting as described as items II.A.2009-1 and II.A.2009-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

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

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

We noted other matters involving internal control over financial reporting that we have reported to management of *City of Olean, New York* in a separate letter dated October 2, 2009.

This report is intended for the information of the Common Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 2, 2009**



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the *City of Olean, New York* with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended May 31, 2009. The *City of Olean, New York's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit included 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's* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended May 31, 2009.

Internal Control Over Compliance

The management of *City of Olean, New York* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *City of Olean, New York's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance 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 noncompliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompany schedule of findings and questioned costs as item III.B.2009-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency described above to be a material weakness.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the City in a separate letter dated October 2, 2009.

This report is intended for the information of the Common Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
October 2, 2009**

CITY OF OLEAN, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2009

I. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses a qualified opinion on the financial statements of the *City of Olean, New York*.
2. There were two significant deficiencies noted during the audit of the financial statements as described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Items II.A.2009-1 and II.A.2009-2 are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the *City of Olean, New York* were disclosed during the audit as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
4. There was one significant deficiency disclosed during the audit of the major federal assistance programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal awards programs of the *City of Olean, New York* expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. Major programs tested:

	Type	CFDA #	Federal Expenditures
U.S. Department of Housing and Urban Development Community Development Block Grant	(Type A)	14.228	\$ 742,022
U.S. Department of Transportation Federal Aid and Marchiselli Aid Project	(Type A)	20.205	630,671
U.S. Department of Homeland Security FEMA Assistance to Firefighters Grant	(Type B)	97.044	<u>211,236</u>
			<u>\$ 1,583,929</u>
Total Federal Awards			<u>\$ 1,955,316</u>
Percentage of total programs tested			<u>81%</u>

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The *City of Olean, New York* was not determined to be a low-risk auditee.

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. Internal Control over Financial Reporting

2009-1 Public Works Grants

Condition and criteria: During the audit, we noticed that a reimbursement from the Federal government in the amount of approximately \$350,000 related to the East State Bridge Project had not been received by the City in a timely manner. The timing of the reimbursement was delayed as a result of modifications to the original project budget, however, the amount owed to the City was not followed up on until this situation was noticed during the audit.

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

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

City's Response: The City understands the importance of tracking the submission of reimbursement reports for Federal and State grants with the amounts received and will develop a system so that such information is provided to the City Auditor for monitoring.

2009-2 Segregation of Duties – Bank Reconciliations

Year Ended May 31, 2008

Condition and Criteria: During the audit, we understand that presently there is no review performed by someone independent of the preparer of the bank reconciliations.

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

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

City's Response: Due to the nature, complexity, and manual nature of the City's finance structure, the City Auditor is responsible for preparing the bank reconciliations for the majority of the accounts. Although the Mayor or City Clerk could review the reconciliations, they do not have the technical accounting expertise to be able to make sense of them. The City will consider the auditor recommendation.

B. Compliance

Year ended May 31, 2009

No compliance findings are being reported upon during the fiscal year ended May 31, 2009.

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

A. Compliance

Year ended May 31, 2009

No compliance findings are being reported upon during the fiscal year ended May 31, 2009.

B. Internal Control over Compliance

Year ended May 31, 2009

U.S. Department of Transportation Federal Aid and Marchiselli Aid Project - CFDA #20.205

2009-3 Public Works Grants

Same finding as that reported as II.A.2009-1 above.

IV. PRIOR YEAR FINANCIAL STATEMENTS AUDIT– FINDINGS (CONTINUED)

A. Internal Control over Financial Reporting (Continued)

2008-1 Purchasing

Year Ended May 31, 2008

Condition and criteria: The *City of Olean, New York's* has developed specific purchasing guidelines, which dictate procedures to be followed prior to the purchase of goods or services. The guidelines call for the City to make a good faith effort to obtain three verbal quotes from vendors prior to a purchase ranging from \$1,000 - \$3,000. Purchases in excess of \$3,000 require more formal documentation in the form of written quotes and/or request for proposals. We noticed that documentation was not being maintained for verbal quotes as far as when and which vendors were contacted. This made it difficult to substantiate whether or not such policy was being followed. In addition, there were instances when documentation was not maintained to support purchases tested that require written quotes.

The City also has a policy whereby the City Auditor is required to approve each voucher for payment. Although, we noted that a signature was affixed to each voucher sampled for testing during our audit, it was brought to our attention that this procedure is performed by the accounts payable clerk, who utilizes the Auditor's signature stamp. Because of this process, there was no documentation available to determine whether the individual responsible for approving the vouchers is performing a review prior to payment being made.

Effect: By not instituting a strong internal control system in the area of purchases and cash disbursements, the City could incur expenditures that were not authorized by the Common Council during the budget process. Also, expenditures may be incurred which do not coincide with management's' expectations.

Auditors' Recommendations: An effective internal control system is necessary in the purchasing of goods and services to provide better control over expenditures. We suggest the City continue communicating its purchase policy with all department heads and develop a practice for documenting verbal and written quotes.

We recommend that the City Auditor review and approve each voucher packet and evidence this review by signing or stamping the voucher. In the event that an individual other than the Auditor is assigned the task of stamping the voucher, this should be done subsequent to Auditor's review, under the direction and supervision of the Auditor and performed by someone independent of the accounts payable clerk. In addition, there should be strong controls over the signature stamp. Lastly, the City should consider appointing a member of Management the authority to approve vouchers for payments in the absence of the City Auditor.

City's Response: The City will enhance its purchasing system by enforcing and strengthening its current procedures for obtaining quotes. In addition, the City Auditor will sign or stamp each voucher packet once reviewed. Lastly, the City will consider formally appointing an individual that would be authorized to approve payments in the City Auditor's absence.

Current Year Status: During the current year, the City began to both obtain and attach documentation to support quotes received on purchases of goods and services. In addition, the City Auditor reviewed and signed voucher packages.

IV. PRIOR YEAR FINANCIAL STATEMENTS AUDIT– FINDINGS (CONTINUED)

A. Internal Control over Financial Reporting (Continued)

2008-2 Segregation of Duties

Year Ended May 31, 2008

Condition and Criteria:

Payroll: During the audit, it was noted that a single individual is responsible for maintaining the employee database, including pay rates, as well as processing bi-weekly payrolls. Although procedures have been put in place by this individual to ensure the accuracy of each payroll, there is no second individual within the process to ensure the accuracy of the payroll.

Bank reconciliations: During the audit, we understand that presently there is no review performed by someone independent of the preparer of the bank reconciliations.

Effect: Segregation of duties is a key element to an effective internal control environment. Because payroll and benefits is the single most significant expense of the entire City and the reconciliation of cash is vital to its operations, the lack of proper segregation of duties in these areas heightens the City's risk of potential errors and fraud in these areas.

Auditors' Recommendations:

Payroll: The conflicting duties of maintaining the employee database and the processing of the payroll should be segregated across personnel. The software systems to process such transactions should limit access to these areas to only those responsible for performing such transactions, with such access being routinely reviewed by a member of management. Prior to the issuance of checks, at least one individual other than the individual responsible for processing the payroll should review the process for accuracy. If possible, such review should include performing analytical reviews in comparison with prior payrolls. This review should be documented to substantiate that it has been completed. Lastly, the City should also consider having someone independent of the payroll function distribute all checks or direct deposit vouchers to all employees on a surprise basis once or twice per year. During this exercise, each employee would be required to sign a listing of City employees when receiving their paycheck. This procedure would enhance the City's controls over the payroll cycle and minimize the risk of duplicate paychecks or paychecks to fictitious employees. We understand that subsequent to the fiscal year, the City outsourced its payroll function. As a result, some of the recommendations listed above should be modified to have sufficient controls in place over the third-party provider.

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

City's Response:

Payroll: Due to the pending retirement of the current Payroll Clerk, the **City of Olean** has utilized a third party in the preparation of payroll. The City believes that this will alleviate some of the concerns regarding segregation of duties in the payroll process.

Bank Reconciliations: Due to the nature, complexity, and manual nature of the City's finance structure, the City Auditor is responsible for preparing the bank reconciliations for the majority of the accounts. Although the Mayor or City Clerk could review the reconciliations, they do not have the technical accounting expertise to be able to make sense of them. The City will consider the auditor recommendation.

Current Year Status: During the current year, the City's payroll clerk retired at which time the City contracted with a third party to provide payroll processing services. The City employee is responsible for submitting hours for each employee and the City Auditor is performing a review of the payroll reports received from the third-party provider. The segregation of duties situation related to bank reconciliation is being reported upon again in the current year, under finding II.A.2009-2.

IV. PRIOR YEAR FINANCIAL STATEMENTS AUDIT– FINDINGS (CONTINUED)

A. Internal Control over Financial Reporting (Continued)

2008-3 Water and Sewer Receivables

Year Ended May 31, 2008

Condition and criteria: During the current year, the *City of Olean, New York's* converted its billing, collections and receivable accounting systems in the water and sewer funds. During the audit, the City was unable to generate year-end reports that detailed outstanding receivables by resident, in an aged format. In addition, the City has three geographical zones which are billed on different quarterly cycles. As a result, the City must estimate accounts receivable balances outstanding for the zones that overlap its fiscal year. During the audit, summaries of the billings utilized to build such estimates were generated but detail to support the summaries was unavailable.

Effect: Because the City can not generate detailed reports by resident and in an aged format, it does not have the ability to monitor past due balances and identify any collectibility issues or potential errors in reporting.

Auditors' Recommendations: We recommend that the City work closely with its software provider to resolve this situation. Specific year-end reports should be requested from the provider so that outstanding water and sewer receivable balances and collections can be closely monitored throughout the year. In addition, the City should consider analyzing receivables throughout the year with historical levels and expectations, either monthly or quarterly. Any differences from expectations should be immediately investigated and explained.

City's Response: For over 18 months, the City has been in the process of switching software providers. It has come to the point where the software is unable to provide certain items, which the City deems critical. Water and Sewer Receivables are a prime example. Therefore, the City is looking into once again switching to a different program. Once conversion is complete this situation should be improved.

Current Year Status: During the current year, the City implemented a new billing system, which enables it to generate receivable reports that allow for monitoring of past due accounts.

B. Compliance

Year ended May 31, 2008

No compliance findings were reported upon during the fiscal year ended May 31, 2008.

V. PRIOR YEAR MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS

A. Compliance

Year ended May 31, 2008

No compliance findings were reported upon during the fiscal year ended May 31, 2008.

B. Internal control over compliance

Year ended May 31, 2008

No findings related to internal control over compliance were reported upon during the fiscal year ended May 31, 2008.



October 2, 2009

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

Ladies and Gentlemen:

We have completed our 2008-09 audit of the City's financial statements and have issued our reports thereon dated October 2, 2009. Our audit report expressed opinion which states that the City's financial statements are in accordance with generally accepted accounting principles (except for not having a current appraisal to substantiate fixed assets) for governments. In addition, we have issued separate reports on internal controls over financial reporting and compliance with laws and regulations as required by Government Auditing Standards and OMB Circular A-133.

In planning and performing our audit of the financial statements of the *City of Olean, New York* for the fiscal year ended May 31, 2009, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. As noted within the body of such reports, the City generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

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

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

Budgeting and Forecasting

General Fund

In prior years' management letters, we discussed the *City of Olean, New York's* operating and accumulated deficits that existed in the General, Water and Sewer funds. The City has addressed these deficits and as of May 31, 2009 have built modest fund balance in the respective funds.

With expected increases in retirement contribution rates, health insurance rates and other applicable expenditures, along with the potential for a decline in certain revenue, such as AIM aid and sales tax revenue, we recommend the *City of Olean, New York's* management continue to closely review and monitor its financial position. We suggest that a three to five year forecast be prepared which is followed by a strategic plan to balance general, water and sewer fund operations. If possible, the City should build into the plan funding necessary to continue to build or accumulate fund equity to protect the funds from any future uncertainties.

Allocation of Salaries

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

Risk Assessment

The City currently has not performed a formal assessment of risks, including an assessment of risk of the City's susceptibility to fraudulent activity. A risk assessment is a process in which an organization's internal control environment is evaluated against the potential for misappropriation of the City assets and the potential for fraudulent financial reporting. An effective risk assessment will result in the evaluation of the internal controls in existence, and the development and implementation of additional controls or mitigating controls in response to the determination of risks. We recommend that the City document such a risk assessment, and that management and the Council use this process as a guide in continuing to enhance its control environment in which risks are reduced to a low level. This risk assessment should be evaluated periodically as conditions change.

Journal entries and wire transfers

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

Approval for Bad Debt Write-offs

The City offers various programs in which participant loans are approved by the Common Council on a loan by loan basis (Revolving Loan, First Time Homebuyer program). During the current fiscal year we noted some significant write-offs of loan balances that were deemed to be uncollectible. Based on the fact that the Common Council is responsible for authorizing the initial loans, we feel it is in their best interest to be involved in the process of approving the write-off of those loans. To strengthen internal controls, we suggest the Common Council review and approve all bad debt write-offs within the aforementioned programs.

Policies and Procedures

In today's environment it is critical to have good governance and for governmental entities to continually review, update and monitor its policies. We believe it is a prudent practice to periodically review and update policies and procedures of the City. Some of the areas that have received recent scrutiny in the governmental sector which the City may wish to consider reviewing include the following:

- Personal use of City's assets
- Credit card usage, regulation and Safeguarding
- Personal use of City's assets
- Travel reimbursement policy

In addition, the City should consider establishing the following policies:

- ***Whistleblower policy*** – The purpose of this policy is to establish procedures for receiving and dealing with complaints relating to accounting and auditing and for receiving anonymous complaints. The policy would provide structure to employees of the City in disclosing potential wrongdoing, while protecting such individuals from being disciplined or terminated for reporting actions taken by the employer that might violate the law.
- ***Conflict of interest policy*** – We recommend that the City adopt a formal policy covering potential conflict of interest situations. This policy should identify all business relationships and other dealings between the City and its Common Council, employees and other such parties with whom business is conducted with. The City should also require all Common Council members and members of management to sign a written statement which would identify any business relationships. These written statements should be reviewed and updated on an annual basis.

An important component of the governance process is to ensure that all employees have a full understanding of all policies adopted by the Common Council. As such, the City may wish to include a policy review with members of its staff whereby Management could communicate to the entire staff the importance placed on such policies.

First Time Homebuyers/Revolving Loan Programs Deposits

During our review of First Time Homebuyer's and Revolving Loan cash receipts, we noted that cash receipts are not always being deposited into the bank in a timely basis, rather such funds are being locked in a locked safe at the City. We recommend that the cash receipts for these funds be deposited on a more regular basis throughout the year.

Agency Fund

Reconciliation of Medical Savings Account

Currently, the City of Olean maintains a bank account that houses medical savings plan through a third-party administrator. We recommend that the balance of this bank account and corresponding general ledger account be reconciled with balances from its third-party administrator on a monthly basis.

Adequacy of Account Activity

Currently, the City maintains over thirty-five agency funds. We suggest that Management review each fund and determine whether funds meet the definition of the City acting as the trustee or agent in a fiduciary manner. A policy should be established which dictates which funds meet this criteria and which funds should be rather included in the City's general fund.

Equipment and Inventory

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

Fuel

The City currently utilizes gasoline tanks stored on-site for fueling its City-owned vehicles. We recommend that access to these gas tanks continue to be strictly enforced, and enhanced if possible. Detailed internal records that document when vehicles are driven, mileage, and the amount of any fuel obtained should be maintained by the City. Gasoline should be routinely inventoried and reconciled with records that document purchases and fuel utilization.

Equipment

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

Maintenance and Transportation Supplies

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

Fixed Assets

Capitalization Thresholds

We recommend that the City establish a fixed asset capitalization policy whereby equipment and capital improvements with costs exceeding a certain threshold are capitalized. Government Finance Officers Association (GFOA) suggests that the capitalization threshold should ensure that at least 80% of the value of assets are capitalized as fixed assets and that the threshold does not exceed \$5,000. If a higher threshold is selected, the City may wish to maintain an inventory of all assets, however, for insurance purposes only.

Fixed Asset Reconciliation

Because the City's financial statements now require fixed assets to be reported at cost and to record depreciation, it will be important for the City to reconcile current year capital and equipment additions recorded on its general ledger system with those recorded on the independent appraisal.

Technology

Disaster recovery plan

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

Informal policies

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

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

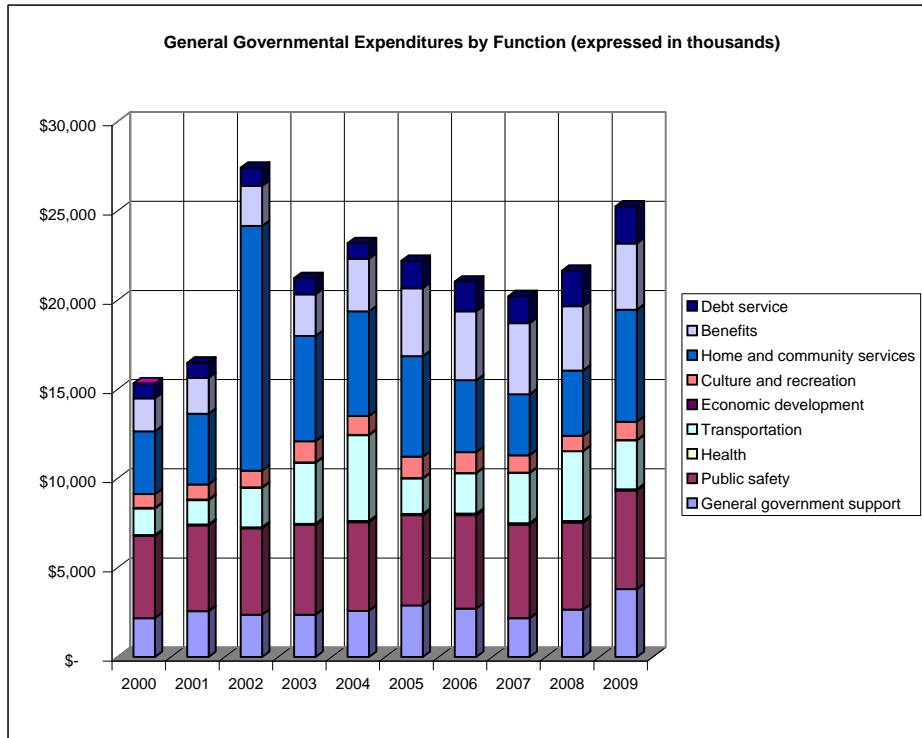
STATISTICAL SECTION

City of Olean
General Governmental Expenditures by Function
 Governmental Funds

Last Ten Fiscal Years
 (amounts expressed in thousands)

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government support	\$ 2,180	\$ 2,566	\$ 2,369	\$ 2,370	\$ 2,588	\$ 2,885	\$ 2,716	\$ 2,173	\$ 2,648	\$ 3,799
Public safety	4,604	4,805	4,845	5,030	4,968	5,063	5,239	5,244	4,890	5,534
Health	43	53	54	68	61	72	82	84	85	74
Transportation	1,499	1,367	2,218	3,411	4,809	1,981	2,267	2,810	3,902	2,731
Economic development	26	26	26	26	26	26	15	15	15	15
Culture and recreation	772	859	921	1,187	1,050	1,193	1,157	981	857	1,027
Home and community services	3,528	3,955	13,723	5,892	5,860	5,637	4,037	3,411	3,661	6,285
Benefits	1,847	2,009	2,242	2,343	2,956	3,808	3,860	3,991	3,592	3,715
Debt service	838	846	1,025	904	874	1,530	1,660	1,512	1,997	2,065
Total	\$ 15,337	\$ 16,486	\$ 27,423	\$ 21,231	\$ 23,192	\$ 22,195	\$ 21,033	\$ 20,221	\$ 21,647	\$ 25,245

Source: City of Olean Annual Report (1998-2007)

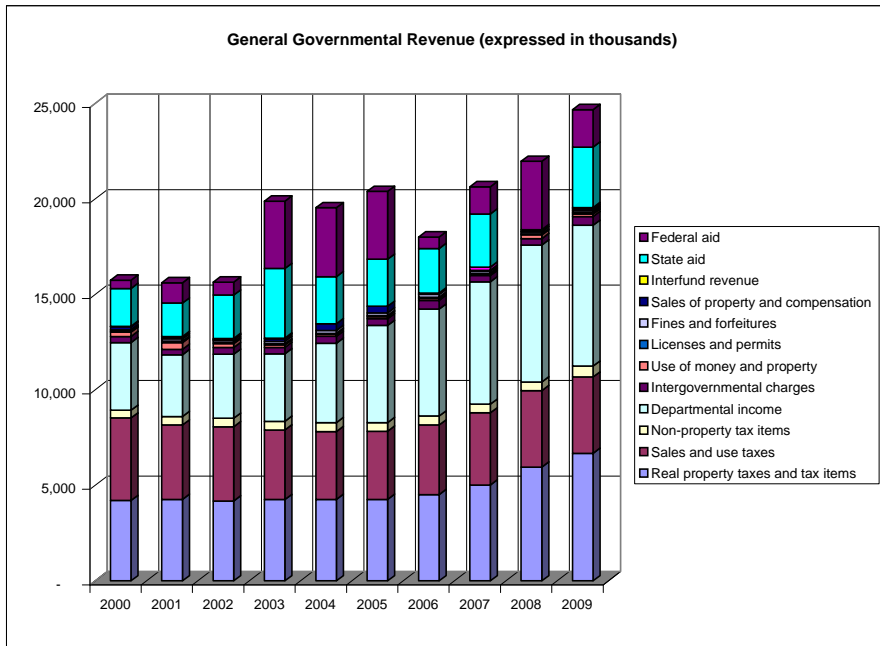


City of Olean
General Governmental Revenues by Source
 Governmental Funds

Last Ten Fiscal Years
 (amounts expressed in thousands)

<u>Source</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Real property taxes and tax items	\$ 4,207	\$ 4,263	\$ 4,179	\$ 4,254	\$ 4,262	\$ 4,262	\$ 4,518	\$ 5,013	\$ 5,954	\$ 6,679
Sales and use taxes	4,322	3,896	3,884	3,642	3,550	3,569	3,642	3,784	4,009	3,995
Non-property tax items	404	441	451	459	474	455	468	454	452	572
Departmental income	3,541	3,233	3,350	3,531	4,152	5,082	5,599	6,409	7,169	7,374
Intergovernmental charges	315	292	352	337	366	359	464	327	339	457
Use of money and property	230	355	202	128	103	104	95	70	189	127
Licenses and permits	61	70	85	64	59	59	64	54	52	78
Fines and forfeitures	69	116	103	130	142	142	150	110	108	96
Sales of property and compensation	153	101	41	124	355	347	21	37	33	92
Miscellaneous local sources	28	29	50	43	-	-	55	175	89	77
Interfund revenue	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	59	-	-	-
State aid	1,982	1,750	2,270	3,640	2,463	2,460	2,324	2,774	3,575	3,170
Federal aid	430	1,066	679	3,530	3,611	3,551	606	1,426	1,481	1,955
	<u>\$15,742</u>	<u>\$15,612</u>	<u>\$15,646</u>	<u>\$19,882</u>	<u>\$19,537</u>	<u>\$20,390</u>	<u>\$18,065</u>	<u>\$20,633</u>	<u>\$23,450</u>	<u>\$24,672</u>

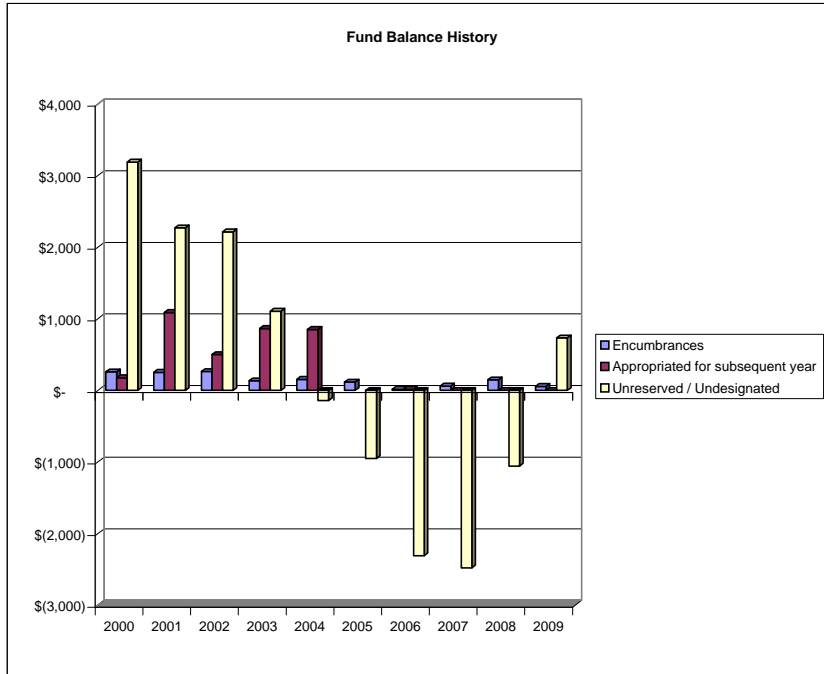
Source: City of Olean Annual Report (1998-2007)



City of Olean
Fund Balance History
 General Fund

Last Ten Fiscal Years
 (amounts expressed in thousands)

<u>Source</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Encumbrances	\$ 258	\$ 253	\$ 264	\$ 134	\$ 154	\$ 116	\$ 14	\$ 59	\$ 148	\$ 55
Appropriated for subsequent year	175	1,087	500	864	850		15	-	-	-
Unreserved / Undesignated	3,188	2,270	2,215	1,107	(141)	(949)	(2,309)	(2,480)	(1,058)	732
Total	\$ 3,621	\$ 3,610	\$ 2,979	\$ 2,105	\$ 863	\$ (833)	\$ (2,280)	\$ (2,421)	\$ (910)	\$ 787



Source: City of Olean Annual Report (1998-2007)

City of Olean
Assessed and Equalized Full Value of Taxable Property (1)

Last Ten Fiscal Years
 (amounts expressed in thousands)

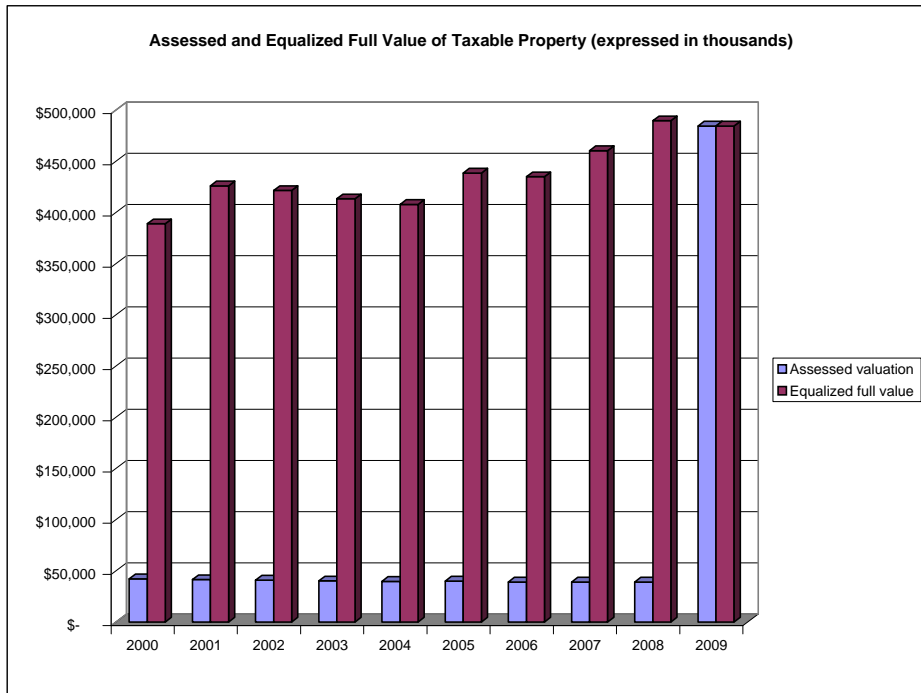
Source

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assessed valuation	\$ 42,367	\$ 41,557	\$ 41,107	\$ 40,319	\$ 39,782	\$ 40,052	\$ 39,154	\$ 39,141	\$ 39,178	\$ 484,520
Equalized full value	389,045	426,226	421,610	413,528	408,021	438,686	435,044	460,482	489,725	484,520
Ratio: Assessed value to equalized full value	<u>10.89%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.13%</u>	<u>9.00%</u>	<u>8.50%</u>	<u>8.00%</u>	<u>100.00%</u>

Notes:

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

Source: City of Olean Annual Report (1998-2007)



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

Last Ten Fiscal Years

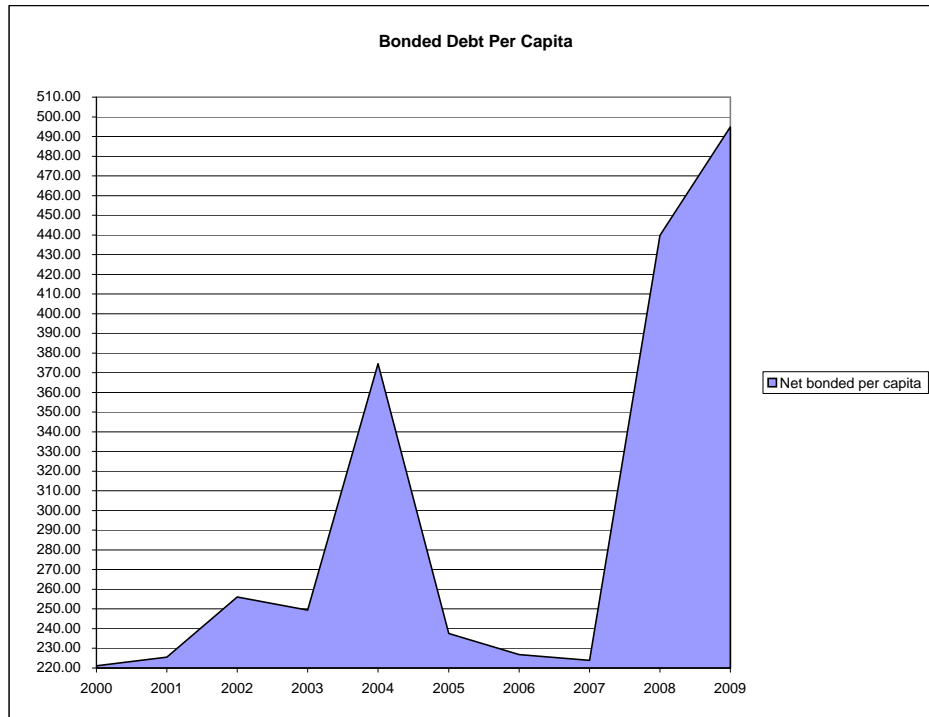
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<u>Source</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net bonded per capita	221.09	225.52	256.14	249.50	374.54	237.57	226.75	223.95	439.70	494.82
Population	16,839	16,801	15,347	15,347	15,347	15,347	15,347	15,347	15,347	15,347
Assessed value (000)	42,367	41,557	41,107	40,319	39,782	40,052	39,154	39,141	39,178	48,452
Gross bonded debt (000)	4,685	5,131	15,427	15,523	19,022	20,278	20,565	23,022	26,110	32,786
Less: self-supporting debt (000)	962	1,342	11,496	11,694	13,274	16,632	17,085	19,585	19,362	25,192
Net bonded debt (000)	3,723	3,789	3,931	3,829	5,748	3,646	3,480	3,437	6,748	7,594
Ratio of net bonded debt to assessed value	<u>8.79%</u>	<u>9.12%</u>	<u>9.56%</u>	<u>9.50%</u>	<u>14.45%</u>	<u>9.10%</u>	<u>8.89%</u>	<u>8.78%</u>	<u>17.22%</u>	<u>15.67%</u>

Notes:

Self-supporting debt includes water debt

Sources: Population (1998-1999) were obtained via the "Self-Portrait of Cattaraugus County" prepared by the Cattaraugus County Department of Economic Development, Planning and Tourism.
Population (2000-2007) were obtained from the 2000 census
Assessed value amounts were obtained via the City Assessor's office.
Debt amounts were obtained via the City Auditor's report 1998-2007



City of Olean
 Ratio of General Obligation Debt Service to
 Total General Expenditures

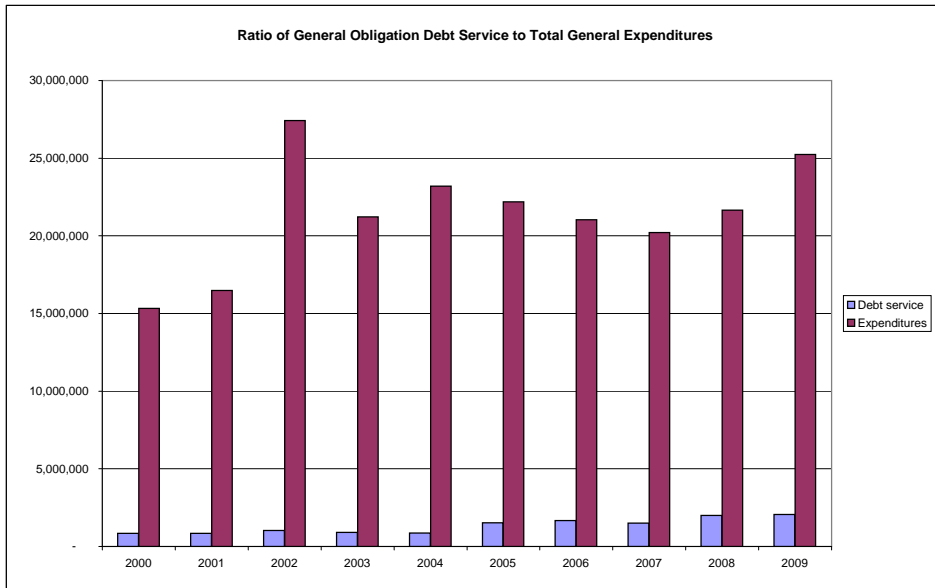
Last Ten Fiscal Years

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Source	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt service	838,000	846,000	1,025,000	904,000	874,000	1,530,000	1,660,000	1,512,000	1,997,000	2,065,000
Expenditures	15,337,000	16,486,000	27,423,000	21,231,000	23,192,000	22,195,000	21,033,000	20,221,000	21,647,000	25,245,000
Ratio of general debt service to total general expenditures	5.46%	5.13%	3.74%	4.26%	3.77%	6.89%	7.89%	7.48%	9.23%	8.18%

Notes:

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



**City of Olean
Principal Taxpayers**

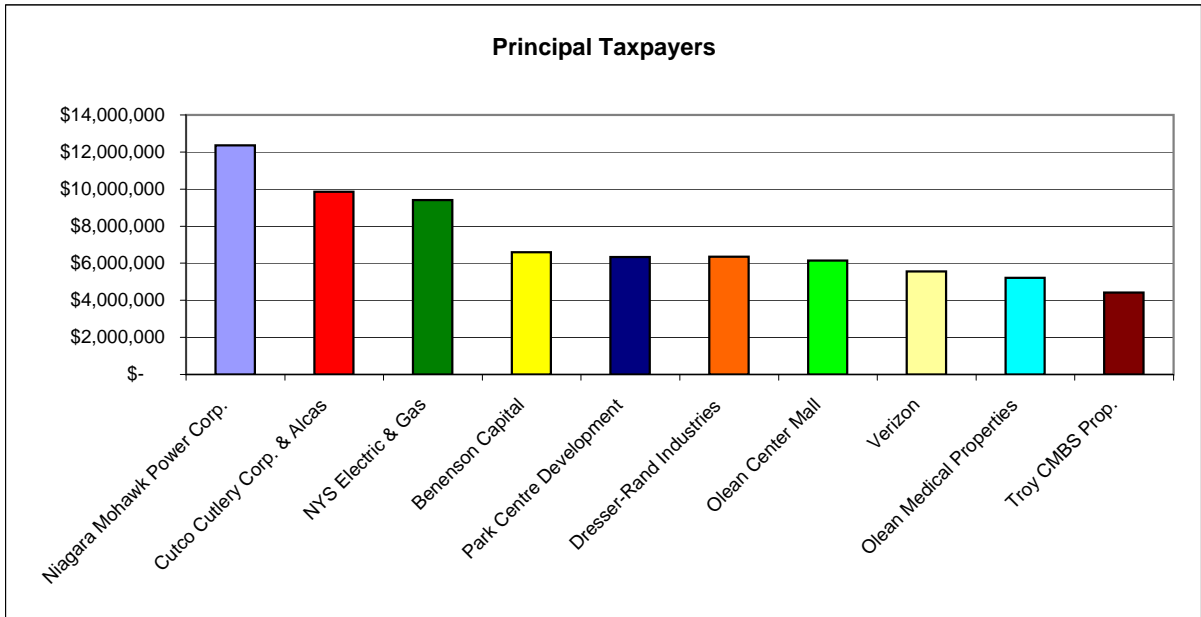
Fiscal Year Ended May 31, 2009

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<u>Taxpayer</u>	<u>Type of Business</u>	<u>Estimated Equalized Full Value</u>	<u>Percentage of Equalized Full Value</u>
Niagara Mohawk Power Corp.	Public Utility	\$ 12,361,871	2.68%
Cutco Cutlery Corp. & Alcas	Manufacturing	9,863,176	2.14%
NYS Electric & Gas	Public Utility	9,401,765	2.04%
Benenson Capital	Food/Retail	6,600,941	1.43%
Park Centre Development	Real Estate	6,333,388	1.38%
Dresser-Rand Industries	Manufacturing	6,360,118	1.38%
Olean Center Mall	Shopping Mall	6,153,800	1.34%
Verizon	Public Utility	5,566,953	1.21%
Olean Medical Properties	Health Care	5,219,412	1.13%
Troy CMBS Prop.	Large Retail	4,413,118	0.96%
Total		\$ 72,274,542	15.70%

Note:

Percentage of equalized full value is calculated by dividing the valuation shown for each of the listed taxpayers by the City's total equalized full value of \$460,479,235



**City of Olean
Principal Employers for the City of Olean**

<u>Employer</u>	<u>Type of Activity</u>	<u>Approximate # of Employees</u>
Olean General Hospital	Medical Facility	900
Dresser Rand	Manufacturing	700
Alcas Corp (CUTCO Cutlery Corp.)	Manufacturing	669
The ReHabilitation Center	Services	530
Olean Center Mall	Retail Shops	400
Olean School District	Education	350
Henkel Locktite Corp.	Manufacturing	300
Dal Tile International, Inc.	Manufacturing	262
Subcon Industries	Handicap Workshop	250
Olean Medical Group	Health Care	200
Olean YMCA	Fitness	200

Source: Greater Olean Area Chamber of Commerce, 2006

