

Olean Urban Renewal Agency

Report on Financial Statements

June 30, 2010 and 2009



Olean Urban Renewal Agency

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Independent Auditor's Report

Board of Directors
Olean Urban Renewal Agency

I have audited the accompanying statements of financial position of *Olean Urban Renewal Agency* as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of *Olean Urban Renewal Agency* as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 20, 2010 on my consideration of the Agency's internal control over financial reporting and on my 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 my 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 should be considered in assessing the results of my audit.

Edward J. Bysiek, CPA

October 20, 2010
Olean, NY 14760

OLEAN URBAN RENEWAL AGENCY
STATEMENTS OF FINANCIAL POSITION

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<i>As of June 30,</i>	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 309,902	\$ 318,634
Investments	433,105	427,987
Total current assets	743,007	746,622
Long-term Assets		
Property held for sale	137,900	137,900
Deposit on property purchase	10,000	-
Land	224,100	224,100
Total long-term assets	372,000	362,000
Total assets	\$ 1,115,007	\$ 1,108,622
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 2,349	\$ 1,539
Total current liabilities	2,349	1,539
Long-term liabilities		
Contractual fees payable	27,580	27,580
Total liabilities	29,929	29,119
Net assets		
Unrestricted	1,085,078	1,079,503
Total liabilities and net assets	\$ 1,115,007	\$ 1,108,622

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

OLEAN URBAN RENEWAL AGENCY
STATEMENTS OF OPERATIONS

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For the Year Ended June 30,

	2010	2009
Revenue		
Lease fees	\$ 15,407	\$ 15,292
Interest income	5,117	17,481
Gain on sale of property	-	15,430
Total support and revenue	20,524	48,203
Expenses		
Professional fees	8,124	7,679
Property maintenance costs	712	2,886
Bradner's Stadium sponsorship	-	15,000
Land development expenses	6,112	10,127
Total expenses	14,949	35,692
Change in net assets	5,575	12,510
Net assets, beginning of year	1,079,503	1,066,992
Net assets, end of year	\$ 1,085,078	\$ 1,079,503

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

OLEAN URBAN RENEWAL AGENCY
STATEMENTS OF CASH FLOWS

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For the Year Ended June 30,

	2010	2009
Cash flows from operating activities		
Receipts		
Interest	\$ -	\$ 120
Lease fees	15,407	15,292
Total cash receipts	15,407	15,412
Payments		
Professional fees	7,315	7,670
Property maintenance expenses	712	1,896
Contribution to Bradner Stadium renovation	-	15,000
Payments for land development	6,112	10,127
Total cash payments	14,139	34,693
Net cash used in operating activities	1,268	(19,281)
Cash flows from investing activities		
Sale of property	-	174,180
Contractual fees paid to City of Olean	-	(41,941)
Purchases of investments	-	(200,000)
Sales of investments	-	257,841
Deposits made on purchase of property	(10,000)	-
Net cash provided by investing activities	(10,000)	190,080
Net change in cash	(8,732)	170,799
Cash at beginning of year	318,634	147,835
Cash at end of year	\$ 309,902	\$ 318,634

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

Olean Urban Renewal Agency

NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2010 & 2009

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Nature of Operations

Olean Urban Renewal Agency is a not-for-profit corporation established in 1969 to promote support for economic development activities in the community, particularly in the downtown district, and former Felmont and Agway sites. The Agency is managed by staff of the City of Olean.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Thus, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

C. Basis of Presentation

The Agency follows Statement of Financial Accounting Standards (SFAS) No. 117, which requires information regarding the financial position and activities to be reported according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Agency does not currently have any temporarily restricted or permanently restricted net assets.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash Equivalents

For purposes of reporting cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. Compensated Absences

The Agency does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on uncontrollable future events.

G. Income Taxes

Olean Urban Renewal Agency is exempt from income taxes under the Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements.

NOTE 2: PROPERTY HELD FOR SALE

The Agency carries several parcels of property that it owns and holds for sale on its Statement of Financial Position at appraised value. The properties were former railroad yards acquired by the City of Olean and subsequently deeded to the *Olean Urban Renewal Agency*. The value of these properties was \$137,900 as of June 30, 2010 and 2009.

Olean Urban Renewal Agency

NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2010 & 2009

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NOTE 3: INVESTMENTS

The *Olean Urban Renewal Agency* has two certificates of deposit with Community Bank, as follows:

Value	Interest Rate	Maturity Date
\$ 226,700	0.30%	7/12/2010
206,405	1.50%	3/26/2011

NOTE 4: LEASE AGREEMENTS

Olean Urban Renewal Agency currently leases a six acre parcel of property to CYTEC Industries, Inc. in Olean, NY for a fee that increases at a rate 3.5% per year through 2032. Additionally, the Agency leases a strip of land to National Grid, to whom an easement has been granted for electrical lines that pass through the property. The agreement states that the Agency will receive \$12,000 per annum as long as the electrical lines are utilized by the National Grid. Both of these agreements are considered operating leases.

The Agency expects to receive the following amounts over the next five years as follows:

For the year ending June 30,	<u>CYTEC Industries</u>	<u>National Grid</u>
2011	\$ 3,527	\$ 12,000
2012	3,650	12,000
2013	3,778	12,000
2014	3,910	12,000
2015 and thereafter	<u>106,670</u>	*
Total	<u>\$121,535</u>	*

*\$12,000 per year in perpetuity assuming continued use of electrical lines by National Grid

NOTE 5: COMMITMENTS

As part of its agreement with the City of Olean, *Olean Urban Renewal Agency* is required to remit twenty percent of the net proceeds of each sale of property to the City. Accordingly, the estimated amount of these future commitments have been accrued in the financial statements as contractual fees payable, and amounted to \$27,580 as of June 30, 2010 and 2009.

NOTE 6: SUBSEQUENT EVENTS

Olean Urban Renewal Agency entered into a contract on August 30, 2010 with North Union Development, Inc. and Southern Tier Environments for Living, Inc. to purchase properties at 101 North Union Street, and 110 and 116 West State Street in Olean, NY for approximately \$407,000. The Agency plans on refurbishing the properties for future sale or lease.

Olean Urban Renewal Agency

REPORT ON INTERNAL CONTROLS

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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)

October 20, 2010

The Board of Directors
Olean Urban Renewal Agency

I have audited the financial statements of *Olean Urban Renewal Agency* (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued my report thereon dated October 20, 2010. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency that adversely affects the Agency's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles.

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

My consideration of 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of *Olean Urban Renewal Agency* were free of material misstatement, I reviewed its compliance with certain provisions of laws and regulations relevant to the Agency. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.