

**OLEAN URBAN RENEWAL AGENCY**  
**REPORT ON FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

OLEAN URBAN RENEWAL AGENCY

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
*Olean Urban Renewal Agency*

We have audited the accompanying statements of net assets of *Olean Urban Renewal Agency* as of June 30, 2013 and 2012, and the related statements of activities 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.

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 opinion.

In our 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, 2013 and 2012, 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*, we have also issued our report dated September 17, 2013 on our 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 our audit.

Managements Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

*Bysiek CPA, PLLC*

BYSIEK CPA, PLLC  
SEPTEMBER 17, 2013  
OLEAN, NY 14760

Management discussion and analysis (MD&A) is designed to assist the reader in focusing on significant financial issues provide an overview of *Olean Urban Renewal Agency's* financial activity, and to identify changes in the Agency's financial position. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which immediately follow this section.

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

### Financial Highlights

- Incurred approximately \$22,000 of maintenance costs to refurbish properties held for sale
- Collected approximately \$30,000 in lease fees and rentals

### Overview of the Financial Report

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) financial statements, 2) notes to the financial statements and, 3) report on internal controls.

#### 1) Financial Statements

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

#### *Condensed Statement of Net Assets*

As of June 30,	2013	2012
Current Assets	\$ 205,200	\$ 232,789
Long-term Assets	816,327	816,327
<b>Total Assets</b>	<b>\$ 1,021,526</b>	<b>\$ 1,049,116</b>
Current Liabilities	\$ 10,543	\$ 30,425
Long-term Liabilities	27,580	27,580
<b>Total Liabilities</b>	<b>\$ 38,123</b>	<b>\$ 58,005</b>
Net Assets invested in capital assets, net of related debt	\$ 788,747	\$ 788,747
Net Assets, unrestricted	194,657	202,365
<b>Total Net Assets</b>	<b>\$ 991,111</b>	<b>\$ 991,111</b>

The statement of activities reports the revenues, expenses and changes in the Agency's net assets.

#### *Condensed Statement of Activities*

For the Year Ending June 30,	2013	2012
Revenues	\$ 30,547	\$ 30,164
Expenses	38,254	80,084
<b>Change in Net Assets</b>	<b>\$ (7,708)</b>	<b>\$ (49,884)</b>

**2) Notes to Financial Statements**

The notes to the financial statements, including the summary of accounting policies, provide additional information that is essential to a full and complete understanding of the information provided in the financial statements.

**3) Report on Internal Controls**

The Report on Internal Controls (and Compliance) is required by Government Auditing Standards. It does not render an opinion on the operating effectiveness of internal controls but reports any control deficiencies. These control deficiencies (if any), are further classified as either significant deficiencies or material weaknesses.

**Economic Factors That Will Affect the Future**

The Agency remains committed to rehabilitating the downtown district of Olean, NY, and promoting economic development activities in the community. Its ability to successfully accomplish this is at least in part based upon the economic outlook for the Southern Tier region as well as upon its ability to continue to attract funding for future improvements.

OLEAN URBAN RENEWAL AGENCY  
STATEMENTS OF NET ASSETS

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As of June 30,

**Assets**

Current assets

Cash and cash equivalents

\$ 205,200 \$ 231,595

Other current assets

- 1,194

Total current assets

205,200 232,789

Long-term Assets

Property held for sale

592,227 592,227

Land

224,100 224,100

Total long-term assets

816,327 816,327

Total assets

\$ 1,021,526 \$ 1,049,116

**Liabilities and Net Assets**

Current liabilities

Accounts payable

\$ 10,543 \$ 30,425

Total current liabilities

10,543 30,425

Long-term liabilities

Contractual fees payable

27,580 27,580

Total liabilities

38,123 58,005

Net assets

Invested in capital assets, net of related debt

788,747 788,747

Unrestricted

194,657 202,365

Total net assets

983,404 991,111

Total liabilities and net assets

\$ 1,021,526 \$ 1,049,116

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

OLEAN URBAN RENEWAL AGENCY  
STATEMENTS OF ACTIVITIES

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*For the Year Ended June 30,*

	2013	2012
<b>Revenue</b>		
Lease fees and rentals	\$ 30,501	\$ 29,944
Interest	46	220
Total revenue	30,547	30,164
<b>Expenses</b>		
Professional fees	14,698	12,861
Project consultants	1,940	4,655
Property maintenance costs	21,617	62,531
Total expenses	38,254	80,048
Change in net assets	(7,708)	(49,884)
Net assets, beginning of year	991,111	1,040,995
Net assets, end of year	\$ 983,404	\$ 991,111

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,*

	2013	2012
<b>Cash flows from operating activities</b>		
Receipts		
Lease fees and rentals	\$ 30,501	\$ 28,750
Interest	46	220
Total cash receipts	<u>30,547</u>	<u>28,970</u>
Payments		
Professional fees and consultants	36,520	(6,998)
Payments for land development and property maintenance	<u>20,423</u>	<u>49,255</u>
Total cash payments	<u>56,943</u>	<u>42,257</u>
Net cash used in operating activities	<u>(26,396)</u>	<u>(13,287)</u>
<b>Net change in cash</b>	<b>(26,396)</b>	<b>(13,287)</b>
Cash at beginning of year	<u>231,596</u>	<u>244,883</u>
Cash at end of year	<u><u>\$ 205,200</u></u>	<u><u>\$ 231,596</u></u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ (7,708)	\$ (49,884)
Adjustments to reconcile to net cash provided by operating activities:		
Change in other current assets	1,194	12,082
Change in current liabilities	(19,882)	24,514
Net cash used in operating activities	<u><u>\$ (26,396)</u></u>	<u><u>\$ (13,287)</u></u>

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



## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Nature of Operations

*Olean Urban Renewal Agency* is a public benefit corporation established in 1969 to promote 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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification Topic 958, *Financial Statements of Not-for-Profit Organizations*. Under Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

D. Use of 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. Property

Property and property held for sale are carried at cost, or, if transferred from the City of Olean, at appraised value. Costs associated with the refurbishment or renovation of properties held for sale are capitalized and added to the cost of the asset.

G. Compensated Absences

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

H. Reclassifications

Minor reclassifications have been made to certain prior year balances in order for them to conform to the current year's presentation

I. Income Taxes

*Olean Urban Renewal Agency* is exempt from income taxes as a public benefit corporation recognized by New York State. Therefore, no provision for income taxes is reflected in the financial statements.

**NOTE 2: PROPERTY HELD FOR SALE**

On August 30, 2010, *Olean Urban Renewal Agency* entered into an agreement 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 \$408,000. During the year ending June 30, 2012, the Agency incurred costs of approximately \$46,000 to repair the roof on an existing property known as the Siegel's Building. These costs have been included on the Statement of Net Assets. Other costs incurred, including on-going maintenance, utilities and property taxes have been included as expenses on the Statement of Activities.

The Agency also 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 appraised value at the time of transfer was \$137,900, and remains the carrying value as of June 30, 2013 and 2012.

**NOTE 3: 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. The Agency also 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. Additionally, the Agency receives monthly fees from AT&T for global communication equipment installed on the roof of the building of one of the newly acquired properties described in Note 3. These payments will continue as long as *OURA* owns the building. Each of these agreements is considered by their terms operating leases. The Agency expects to receive, approximately, the following amounts over the next five years:

For the year ending June 30,		<u>CYTEC Industries</u>	<u>AT&amp;T</u>	<u>National Grid</u>
2014	\$	3,910	\$ 14,500	12,000
2015		4,047	14,500	12,000
2016		4,188	14,500	12,000
2017		4,335	-	12,000
2018 and thereafter		<u>94,100</u>	-	12,000 per year
Total	\$	<u>110,581</u>	\$ <u>43,500</u>	

**NOTE 4: 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 its property located on Constitution Avenue 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, 2013 and 2012.

**NOTE 5: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 17, 2013, which is the date the financial statements were made available to be issued.